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CHILE'S FORESTS
Too much of a chip feast
Page 10

World News

Nato warns Soviet Union on European defence data

Nato ministers warned the Soviet Union that the submission by Moscow of incorrect data on its military forces and equipment in Europe could delay ratification of last month's agreement on conventional forces cuts in Europe. Page 16

Haitian results
Officials in Haiti said there would be no need for a run-off to decide the country's next president because radical priest Father Jean-Bertrand Aristide appeared to have won about two thirds of the votes. Page 4

Party goes legal
Albania's Democratic party applied for legal registration as the first non-communist party in the Balkan country for 46 years. Britain and Albania opened talks with a view to restoring diplomatic ties broken off in 1946.

Order on race
US president George Bush ordered the Education Department to allow race-based scholarships to colleges and universities. Page 4

Basques open talks
The moderate Basque Nationalist party began coalition contacts with other nationalist groups after talks with the Socialists on forming a new regional government collapsed.

Taiwan scandal
Taiwanese prosecutors charged 81 people in connection with a multi-billion dollar underground bank scandal that imperilled the savings of hundreds of thousands of small investors. Page 6

Power discussed
Power-sharing talks opened in Romania between the government and the opposition Liberals.

East German protest
Berlin students took to the streets to protest against the planned closure of scores of university faculties, accusing the government of a witch hunt against intellectuals in the former Communist east.

Indian judgment
India's Supreme Court reserved judgment on challenges to a $470m compensation settlement for victims of the world's worst industrial accident, the 1984 Union Carbide disaster in Bhopal.

Soviet Jews quit
Hundreds of anxious Soviet Jews, fearing the door is about to be slammed shut, are dashing to Germany to escape anti-semitism and poor living standards.

Ethiopian famine
The Ethiopian government and Eritrean rebels agreed to open a rebel-held Red Sea port for the first time in 10 months, marking a breakthrough for famine relief to millions of drought victims. Page 6

Polish split
President-elect Lech Walesa's favoured candidate for prime minister abandoned talks on forming a new government because of "important differences" with the new leader.

ANC return
African National Congress President Oliver Tambo returned to his home township for the first time after 30 years' exile.

Poll denounced
Yugoslavia's state presidency denounced as unconstitutional an independence referendum in Slovenia and asked the federal government to take measures to preserve national integrity. Analysis, Page 14

Tortelier dies
French cellist Paul Tortelier died of a heart attack at his home near Paris. He was 76.

Business Summary

Japan growth likely to fall to 4.1%, says OECD report

Japan's economic growth will slow next year from an annual 6.3 per cent in 1990 to 4.1 per cent, according to the Organisation for Economic Co-operation and Development.

Continuing growth in spending by Japanese consumers will generate increases in output and employment, the OECD says, but also urges continuation of efforts to create a more open economy by further deregulation, particularly in agriculture and the land market. Page 18

MARKETS: Nikkei average moved up on news of a slowing of money supply growth and renewed hopes of lower interest rates to close at the high of 24,424.02, up 336.11 on subdued activity. Frankfurt traded sideways in thin volume after Monday's drop of more than 3 per cent, but the DAX index recovered slightly to close 1.54 up at 1,477.81. Wall Street: hopes of a cut in interest rates sent share prices on a upward trend in early trading, with the Dow Jones Industrial Average 17.57 up at 2,610.89 at 1.30pm. Stock Markets, Back page, Section II

WORLD Bank notes a "significant and unsustainable" rise in developing countries' reliance on official debt and warns that the Gulf crisis is imposing a "severe burden" on many developing countries. Page 18. Details, Page 4; Escape from the debt trap, Page 14

BRAZIL is to partially lift its 18-month debt moratorium in an apparent change of strategy reflecting the country's desperation to end its isolation from the international financial community. Page 16

BAHRAIN: unusual $580m export credit arrangement for an aluminium smelting project, secured against contracts for future deliveries of aluminium, has been agreed by a group of banks with guarantees by export credit agencies of Germany, France, UK, Italy and Belgium. Page 3

CZECHOSLOVAKIA concluded a trade and economic agreement with the Soviet Union for 1991 after a bitter row over oil supplies. Page 3

PEUGEOT, French car group which also embraces Citroën, is due to sign a joint venture contract in Paris to make Citroën's newest model in Hubei, China. Page 3

PILKINGTON, UK glass maker, signed a letter of intent with Poland's Sandomierz glass works jointly to build a $140m float glass plant there. Production start-up is planned for early 1994. Page 3

NORTH Sea: threat of strikes next year by construction and maintenance workers receded as unions claimed breakthrough in their campaign for recognition. Page 8

R.H. MACY, highly leveraged US department store group, said existing investors agreed to subscribe for $119m of new preferred stock in its private equity offering. Page 20

ARGENTINA is to sell off some 150 federally owned companies next year, in a continuation of its aggressive privatisation policies. Page 28

HONGKONG Bank of Canada bucked the trend of its parent and fellow subsidiaries with a near 40 per cent increase in profits to C$48.7m ($41.9m) for the year. Page 20

INTER-AMERICAN Development Bank maintained its recent high profile in the international bond market by launching a Y35bn issue, lead-managed by Daiwa, the day's only new issue. Page 21

CS First Boston, troubled New York-based investment bank, completed restructuring which will inject $315m of new equity into the firm and give CS Holding of Switzerland majority control. Page 21

EC postpones meeting with Iraqi foreign minister

By Robert Mauthner in Brussels and Richard Tomkins in Baghdad

THE European Community postponed a scheduled meeting with Mr Tariq Aziz, Iraq's foreign minister, yesterday following the failure of Iraq and the US to agree on a date for him to meet President George Bush in Washington.

The decision was taken after a two-day meeting of Nato foreign ministers, at which the Alliance strongly reaffirmed its demand that Iraq should respect the United Nations resolutions calling upon it to withdraw from Kuwait by January 15. It was not a unanimous decision.

The French, Italian, Spanish and Greek ministers wanted the meeting between Mr Aziz and Mr Gianni De Michelis, the Italian foreign minister and EC president, to go ahead even in the absence of high-level US-Iraqi contacts.

However the majority of the 12 member countries considered such a meeting to be inopportune in the circumstances.

The EC decision was clearly motivated by the desire not to give the Iraqis the impression that there were any disagreements between members of the western alliance over the policy to be pursued towards Iraq.

However, Mr James Baker, the US secretary of state, had earlier appeared to endorse the meeting between Mr De Michelis and Mr Aziz, due to have taken place today.

Mr Baker said the US supported any diplomatic efforts aimed at reaching a peaceful solution of the Gulf crisis, even though a US-Iraqi meeting had not yet been arranged.

"The one thing we do discourage is mixed messages," he said at a press conference after the Nato meeting.

Mr Baker added that he was completely confident that any message given to the Iraqis by any member of the US-led coalition in the Gulf would fully respect the UN resolutions on Iraq.

All the Nato members, including those from the EC, had staunchly backed those resolutions.

Mr Baker said the Iraqis had not yet accepted any of 15 alternative dates suggested for Mr Aziz's proposed visit to Washington.

The postponement of the EC-Iraqi contacts does not affect the decision in principle to hold a meeting between Mr De Michelis and Mr Aziz at a more appropriate time.

The intention is still to go ahead with it immediately after Mr Aziz's visit to Washington, if and when it takes place.

Continued on Page 16
Middle East, Page 6

AMNESTY International, the London-based human rights group, today details 38 methods of torture it says Iraqis have used in Kuwait, including mock executions, severing tongues and giving electric shocks. Details, Page 6

Soviets lack budget for 1991

By Leyla Boulton in Moscow

THE Soviet republics served notice yesterday that they would not be steam-rollered into a union treaty with the Kremlin as fierce fiscal wrangling left the Soviet Union without a proper budget for 1991.

The "budget war" between the Kremlin and Soviet republics over how to tax and share out wealth has come to a head as the republics have made clear they plan to renegotiate every aspect of their relationship with the centre on equal terms.

The Soviet government was on Monday forced to adopt a stopgap budget for the first quarter of 1991 without waiting for parliament to approve spending proposals for the whole year.

But this, too, has has already become a subject of bargaining with the republics. Talks were said to be under way last night between Russia and the central government.

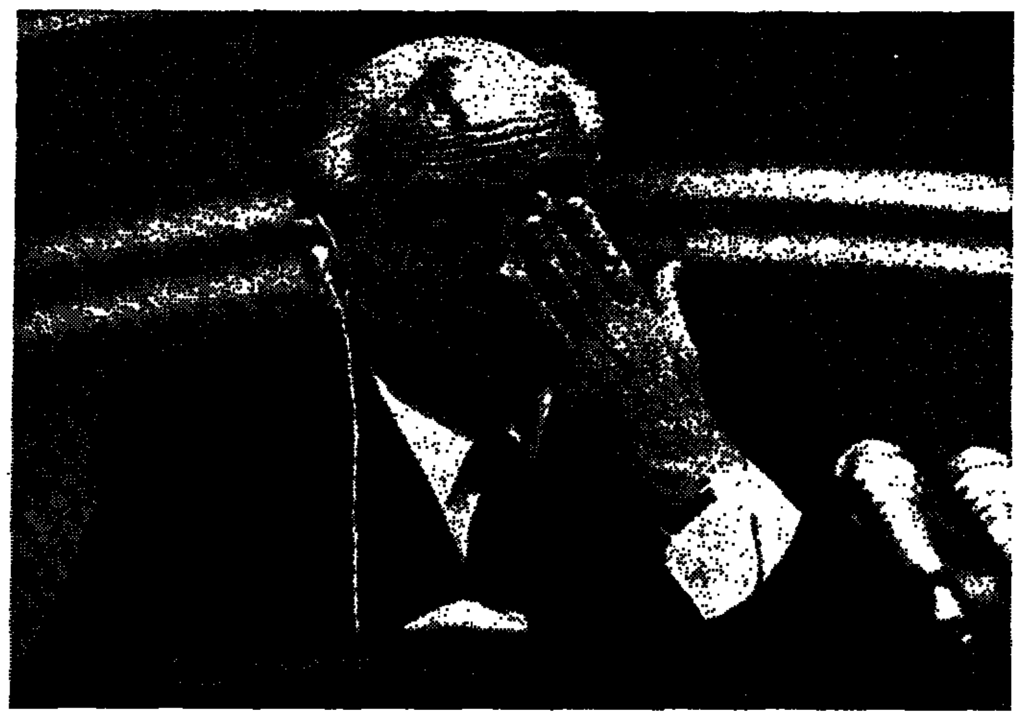
Over the next week, President Mikhail Gorbachev will attempt to persuade republics to go along with the stop-gap budget and honour centrally planned supply agreements between enterprises and republics.

The unprecedented "union budget" presented to parliament last month by Mr Valentin Pavlov, the Soviet finance minister, leaves republics the freedom to set their own budgets after making contributions to central government.

His budget proposed central spending of Rbs261.2bn with an expected deficit of Rbs30bn. But objections from republics to the proposed budget, combined with the fact that the Supreme Soviet ran out of time to continue discussions, mean that approval of the full-year budget will have to wait until next year.

While the new budget structure recognises the need for greater republican rights, the centre and republics have not yet formally agreed on how to divide responsibilities and resources. At least four republics do not even want to be part of a new union treaty for a revamped confederation of sovereign states.

Continued on Page 16
Bank predicts deep downturn in E Europe, Page 2



Looking for support: Mikhail Gorbachev at yesterday's meeting of Congress

Citicorp cuts payout, raises loan reserves

By Martin Dickson in New York

CITICORP, the largest US banking group, yesterday announced plans to slash its annual dividend by 44 per cent and said it expected to make a loss of $300m to $400m in the fourth quarter after increasing its reserves for problem loans. It is also preparing a big new round of job cuts.

The announcement, which follows an annual inspection of its books by national bank examiners, underlines the impact of real estate and other bad loans on leading US commercial banks.

The proposed dividend cut, from $1.78 on an annual basis to $1.00, will be put to next month's board meeting. Citicorp said it reflected "market-place realities" and was part of a plan to increase capital and improve ratios.

Following the examiners' inspection, it is to increase its reserve for commercial loan losses by $340m in the fourth quarter, an increase of $250m over the third quarter.

As part of a restructuring programme, it will take an additional $300m charge in the fourth quarter. The result of all these actions is that it expects to report a fourth quarter loss of $300m-$400m and a profit for 1990 of $400m-$500m. That compares with a profit of $498m in 1989.

The restructuring involves staff cuts of about 8,000. But of these 3,600 have been made in 1990 and 1,650 relate to peripheral businesses that are to be discontinued or sold.

The bank said the restructuring would result in annual cost savings of more than $800m, fully visible in 1992, or approximately $500m net of revenues lost from discontinuing certain businesses.

Central Asia republics turn on Gorbachev

By Quentin Peel in Moscow

SOVIET President Mikhail Gorbachev was yesterday facing a growing rebellion from once-loyal union republics in Central Asia, while a delegation from Moldavia became the third to storm out of his Congress of People's Deputies.

And his idea for a national referendum, republic by republic, on whether to preserve the Soviet Union itself, was dismissed as "useless" by Mr Boris Yeltsin, president of the Russian federation, and his greatest political rival.

Tension in the outlying republics is growing, with three more bombs exploding in Riga, Latvia, prompting accusations by officials that the Communist party and the Soviet army are behind a campaign of "provocation."

At the Congress of Deputies, the super-parliament, the majority of deputies from Moldavia marched out to join Lithuania and Armenia in a boycott. They were protesting at the presence of leaders of two breakaway Moldavian regions which want their own independence, and at the Soviet leadership's refusal to have a special debate on the issue.

Earlier, Mr Arnold Ruutel, president of Estonia's parliament, told a hushed assembly of his republic's determination to leave the union and its decision to nominate no more deputies to the Supreme Soviet, the standing parliament.

Yet the greatest possible shock to Mr Gorbachev, battling to win support for a new union treaty and sweeping new presidential powers, came from the signs of a common front in Central Asia, where the republics are demanding to dictate the shape and powers of the new national state.

Mr Islam Karimov, leader of the Uzbekistan Communist party and president of its parliament, threw his weight behind Mr Nursultan Nazarbayev from neighbouring Kazakhstan in rejecting the way Mr Gorbachev was seeking to lay down the treaty.

"We are for the union treaty. We are for the federation. But we do not accept the way this union treaty is being drafted from above. The republics, getting together, must decide which rights and powers should be delegated to the centre."

The Soviet leader is now pinning his hopes on the plan for a nationwide referendum, which will ask voters if they want to preserve the union, planned for this winter.

Continued on Page 16

US price inflation figures fuel hope of easier monetary policy

By Michael Prowse in Washington

CONSUMER price inflation moderated in the US last month, the Commerce Department reported yesterday.

The announcement brought relief to financial markets and fuelled speculation that monetary policy might soon be eased further to support the flagging economy.

The Federal Reserve's open market committee met yesterday to discuss monetary policy after Mr Nicholas Brady, the Treasury secretary, said at the weekend that there was ample scope for interest rate cuts.

Merchandise trade figures released yesterday were less encouraging. The deficit widened markedly in October, rising to $11.6bn against a revised $9.3bn in September, giving the biggest monthly shortfall in nearly three years. The increase was only partly caused by higher oil imports.

Consumer prices rose 0.3 per cent in November, less than half the average monthly increase of 0.7 per cent in the three months to October, prompting a modest rise in share and bond prices on Wall Street. The Dow Jones Industrial Average was up 16.58 to 2,609.90 in early afternoon trading.

Prices have risen at an annual rate of 6.4 per cent so far this year. Last month's improvement mainly reflected a sharp reduction in energy price inflation, although weakness in the retail sector also led to a 0.2 per cent drop in the cost of clothing. The index for energy commodities fell 0.3 per cent, having risen 29 per cent in the three months to October following Iraq's invasion of Kuwait.

Excluding food and energy, "core" consumer prices rose by 0.3 per cent for the third month running.

However, most of the inflation is confined to the services sector. The index for commodities less food and energy showed no increase in November and has risen only 3.1 per cent in the past year.

The October trade deficit surprised analysts who had been looking for a shortfall of no more than $10bn given the economy's softness. Imports and exports both hit monthly highs in cash terms. Imports rose to $46.4bn from $41.3bn in September while exports increased $2.8bn to $34.8bn.

Mr Robert Mosbacher, commerce secretary, warned that monthly data were subject to wide fluctuations. He said annualised figures for January to October were encouraging, with the non-petroleum deficit running at $48.7bn compared with $64.7bn in 1989 and reflected the "growing competitiveness of American goods."

Imports of petroleum products at $7.2bn were $1bn higher than in September and $2.6bn higher than the monthly average for the first three quarters. But October's trade deterioration also reflected a $1.4bn rise in the non-oil deficit.

Imports of manufactured goods were particularly buoyant, rising $6bn to $37.2bn. There were big increases in imports of capital goods, consumer goods and cars.

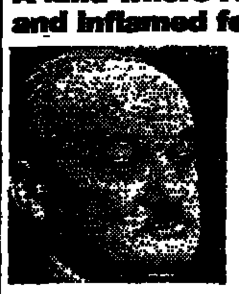
The trade deficit for the first nine months was $85.9bn compared with $92.7bn for the same period last year.

CONTENTS

Turkey: Policymakers brace themselves for another hard winter ... 2
Japan: Strangely calm about the Gatt crisis ... 3
Thailand: Holding a fragile political system together ... 6
Shanghai: Following the fashion for share dealing ... 6
Spanish family business: Chill wind fans the flames ... 12
Editorial Comment: Escape from the debt trap; Passengers must come first ... 14
Europe's financial services: Slow emergence of a single market ... 14

Europe	2	Britain	7,8	Editorial Comment	14	Observer	14
Companies	20	Companies	22-24	Financial Futures	21	Stock Markets	31-42
America	4	Arts Guide + Reviews	13	Gold	28	-London	31-33
Companies	18	Commercial Law	9	Intl. Capital Markets	21	Technology	10
International	5	Commodities	26	Letters	15	Unit Trusts	34-37
Companies	21	Crossword	28	Lex	16	World Index	42
World Trade	3	Currencies & money	39	Management	12		

A land where reason is elusive and inflamed feelings rife



Yugoslavia's prime minister, Ante Markovic, is an obstinate man. He persists in pushing ahead with reforming his country's economy, in spite of obstacles from every direction.
Page 14

MARKETS

STERLING
New York lunchtime:
$1.935
London:
$1.935 (1.927)
DM2.8725 (2.865)
FFr9.7825 (9.8075)
SFr2.4575 (same)
Y257.75 (256.75)
£ index 93.3 (93.2)

GOLD
New York: Comex Feb
$378.4 (379.3)
London:
$376.95 (376.6)

N SEA OIL (Argus)
Brent Feb
$25.85 (26.125)

Chief price changes yesterday: Page 17

DOLLAR
New York lunchtime:
DM1.4855
FFr5.061
SFr1.2705
Y133.25
London:
DM1.484 (1.487)
FFr5.055 (5.09)
SFr1.27 (1.2755)
Y133.25 (133.25)
$ index (60.9)
Tokyo close: Y133.03

US lunchtime rates
Fed Funds $7\frac{5}{16}$%
3-mo Treasury Bills:
yield: 6.93%
Long Bond:
$108\frac{3}{4}$
yield: 8.14%

STOCK INDICES
FT-SE 100:
2161.8 (+3.9)
FT Ordinary:
1694.2 (+4.0)
FT-A All-Share:
1039.03 (+0.1%)
New York lunchtime:
DJ Ind. Av.
2,611.14 (+17.82)
S&P Comp
327.96 (+1.96)
Tokyo: Nikkei
24,424.02 (+336.11)

LONDON MONEY
3-month Interbank:
closing $14\frac{1}{16}$-14% ($14\frac{1}{16}$)
Life long gilt future:
Mar $89\frac{3}{8}$ ($89\frac{1}{4}$)

EUROPEAN NEWS

EC agrees to new safety rules for part-time workers

By Lucy Kellaway in Brussels

EUROPEAN EMPLOYMENT ministers yesterday agreed to grant all temporary and part-time workers the same health and safety conditions as full-time workers but persisted in blocking more ambitious measures that would improve the benefits and terms of employment of such workers.

Yesterday's meeting displays the difficulty that the Commission is having in getting adopted its more important measures under its "social action pogramme".

A Commission official said the agreement was "a small step in the right direction" but ministers expressed dismay at both the substance and the form of two more ambitous proposals.

These would provide all the same terms of employment – contracts, holidays, social security, training and so on – to all workers working more than an 8 hour week.

The health and safety directive is not expected to require substantial changes in the laws of most EC countries, where such workers already enjoy protection, so that the agreement yesterday was not seen as any great achievement.

The aim of the other proposals is to ensure that temporary and part time workers are not discriminated against.

However, the effect would be to increase the cost of their social security and other benefits – an outcome that has been strongly opposed by employers. The UK government estimates that if implemented, it would cost employers an extra £1bn ($1.93bn) a year.

EC officials said yesterday that these proposals were likely to remain deadlocked until the Treaty of Rome was changed to allow social matters to be passed by a qualified majority of member states rather than by unanimity. However, the UK would be likely to block any such extension.

The Commission tried to put forward one of the part time workers' directives under a qualified majority vote, on the grounds that competition within the single market was at stake.

Several member states yesterday objected strongly to this, suggesting that the Commission may have to back down on the issue.

Bank predicts deep downturn in E Europe

By Anthony Robinson, East Europe Editor, in London

WESTERN investors should be prepared for some form of military-backed regime in the Soviet Union and a "far deeper and longer economic downturn" than generally expected in east Europe, according to the latest Eurostrategy analysis by Morgan Stanley.

In a review of the global implications of the crisis in east Europe and Latin America, the bank says unemployment could reach 14m, or 21 per cent of the working population in eastern Europe, and 30m-40m in the Soviet Union by 1994.

"The west has to accept that an adequate social safety net for eastern Europe is likely to cost $270bn-$370bn over the next five years," the review says.

In a gloomy assessment of prospects in the Soviet Union the report says "Perestroika is likely to fail shortly and be replaced by one of four options: a radical national salvation government backed by the younger military officer corps, a conservative coup by senior officers, a military-backed, half-hearted economic reform govenment under an increasingly "bonapartist" President Gorbachev, or "chaos".

This vision of a Soviet Union "poised between coup or chaos" presented by Mr David Roche, head of the equity research department, is backed up by contributions from Prof Alec Nove and Prof Andrei Anikin of the Moscow Institute of World Economy.

Prof Anikin compared Mr Gorbachev's Moscow to the last days of the Kerensky regime in 1917, a vision shared by high-ranking US government and other western officials concerned about the stability of the Soviet government at a time when the Gulf crisis is nearing its expected peak.

The report sees the next few years "as the darkest hour before dawn" for eastern Europe but with the possibility of an upswing from 1994 "if these countries stick to the economic reform packages announced, and accelerate privatisation of property ownership".

Mr John Wellemeyer, oil analyst, estimates that with oil at $30 a barrel, eastern Europe will have to pay $17.8bn more for it next year, imposing a severe deflationary shock which will lead "to defaults in the servicing of hard-currency debt".

Morgan Stanley said that the need to raise savings rates in the developed world by 2-3 per cent of GDP to finance development of Latin America and eastern Europe was the main reason behind the cyclical slowdown in world economies.

This would keep real interest rates high and growth in the Anglo-Saxon world low for several years.

Pensioners' food parcels: A Soviet official, right, checks pension books in Leningrad yesterday before handing out food parcels sent by citizens of Hamburg, Germany. Basic foodstuffs remain in short supply in the major Soviet cities.

GM looks elsewhere as Slovak talks lag

By Kevin Done, Motor Industry Correspondent

GENERAL MOTORS, the world's leading car-maker, is turning its attention to sites in both west and east Europe to build a $250m-$350m transmission plant following inconclusive talks with the Slovak government.

The talks on the establishment of transmission manufacturing and vehicle assembly operations at the Bratislavske Automobilove Zavody (BAZ) plant in Bratislava, had been going on since November, and GM said yesterday that it had decided to investigate alternative sites in Europe.

Discussions with the Slovak government are continuing, but GM said yesterday that it had not been possible "to reach agreement to date on several important issues." It is understood that the main stumbling block is the level of state financial support.

GM is coming under acute time pressure, as the gearboxes are required for GM cars planned to be in production from 1992/93. The plant would manufacture up to 250,000 transmissions a year largely for export to GM car assembly plants in west Europe.

It is now reviewing a possible expansion at its existing manufacturing sites in Europe. It currently produces transmissions at Aspern, near Vienna, at Bochum and Rüsselsheim in Germany and at Strasbourg.

The company is also studying alternative sites in east Europe. Earlier this year GM decided to build an engine plant and small volume car assembly plant in Hungary, and in recent days a GM Europe delegation led by Mr Robert Eaton, GM Europe president, has also visited Poland.

It is developing contacts with FSO, the Polish producer of Fiat-based cars in Warsaw.

The Slovak government said yesterday that it was renewing its earlier negotiations with Volkswagen of Germany, which have included talks on either car or van assembly.

Bonn delays decision on road tolls

THE German government has postponed a decision to introduce annual motorway tolls, to help cover the costs of unity, pending clearance from the EC, writes David Goodhart.

The government has signalled its intention to charge both domestic and foreign users DM100 ($66) a year for cars, DM1,000 for buses and DM2,000 for lorries.

That intention has released howls of criticism from motoring organisations and more subdued complaints from other EC countries.

Unlike France, Italy and Spain, Germany currently makes no charge for using motorways. The proposed toll would raise about DM5bn a year to be used for new road building in east Germany.

Mr Volker Rühe, Christian Democrat general secretary, said yesterday that the EC-compatibility of such a levy had to be checked but added that it would be unacceptable to impose the toll on German drivers alone.

The government also seems intent on pressing ahead with an extra levy of DM5bn on the state owned telephone authority, Telekom.

The Telekom management has protested that it already hands over about DM6bn a year and that the extra DM5bn would have to come from higher charges.

● The sharp fall in industrial production in east Germany in July and August appears to have been halted in September and October according to preliminary figures from the Economics Ministry in Bonn. In September, production rose 2.5 per cent on the previous month and in October it rose 1 per cent. Nonetheless, comparing October 1990 with the previous year, production fell by nearly 50 per cent thanks to falls of 35 per cent in July and 14 per cent in August.

Danish coalition faces squeeze

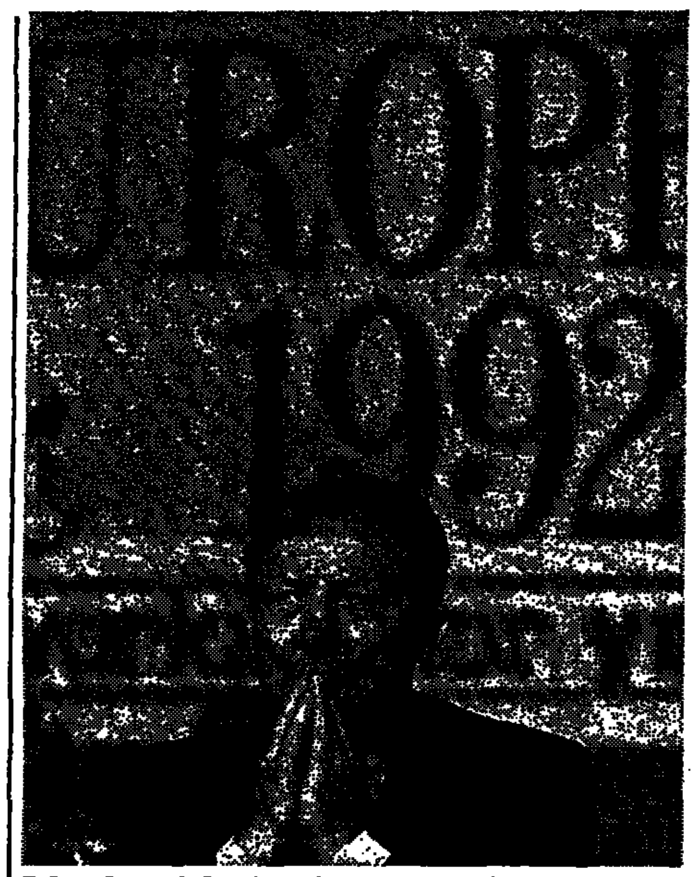
A short life is being widely predicted for the narrow minority coalition government formed by Mr Poul Schlüter, the Danish prime minister, following last week's general election, writes Hilary Barnes.

Mr Schlüter, always an optimist, said he saw no reason why the coalition between his own Conservative party and the Liberals should not survive for three or four years, although it controls only 59 seats in the 179-seat parliament. But the government faces a three-way squeeze. The opposition Social Democrats, who gained 14 seats for a total of 69, are ambitious to get back into office.

The small centre parties read this gain, together with the loss of five Conservative seats, as meaning voters want the parties to co-operate across the left-right divide, and their support for the new government is conditional.

Meanwhile, the populist Progress party will press for tax and expenditure cuts on a scale unacceptable to anyone else. The Radical Liberal party, which was part of the coalition from 1988 until this week, could prove particularly problematic for Mr Schlüter. The party, with seven seats, intends to use its swing vote to encourage co-operation between the government and the Social Democrats.

The trade unions are also flexing their muscles before negotiations in the new year for the next two-year collective wage agreements.



Delors: danger in keeping quiet and not speaking out

Delors seeks to strengthen his hand in high-stake game for monetary union

By David Buchan in Brussels

WITH SPORT and jazz as his relaxations, Mr Jacques Delors saves high-stake poker for his professional life. And nowhere are the stakes higher for him than in the present power-play over economic and monetary union (Emu).

When he hit out publicly this week at the way the German, Dutch, Spanish and French finance ministers seemed to him to be going back on their governments' commitments to Emu, he was not just seeking to avoid singling out Britain and trying to give Mr John Major a chance to modify UK opposition to a single currency.

He was also appealing to the leaders of Germany, France, the Netherlands and Spain to prod their finance ministers back into line over the commitments to Emu which these EC governments, plus seven others, made in Rome last October.

It is a high risk strategy. Mr Delors is banking on Chancellor Helmut Kohl, President François Mitterrand and Prime Ministers Felipe Gonzalez and Ruud Lubbers being "better Europeans" than their finance ministers – and, to some extent, having better relations with him than with their own finance ministers. There is an obvious danger that these four leaders will simply consider that Mr Delors is getting too big for his Commission boots, and ignore him in an Emu negotiation that is essentially only between governments.

But for Mr Delors there is an equal danger in not speaking out. In a Community whose presidency falls into a different set of vested national interests every six months, he sees it as the Commission's duty to cajole, exhort and excoriate members into living up to their promises.

And the promise by Britain's 11 partners two months ago to set up a European central bank in January 1994, at the start of a Stage Two of Emu that might be as short as three years before final passage to a single currency, is of the utmost personal and professional importance to Mr Delors. This former Banque de France and French finance minister considers money a driving force of EC integration.

The view from Brussels is that Emu, or at least agreement on an Emu treaty, has to be achieved quickly, or it may not be achieved at all. EC officials see many winds – a Gulf war, economic recession – that could blow Emu off course. They are thus very anxious that the Emu negotiations should catch the current pro-Emu tide that is still running strongly in most EC countries, and alarmed at the following signs of delay:

● Mr Theo Waigel, the German finance minister, is described as having been "very tough" at the opening of the Emu inter-governmental conference. He suggested that the Community was nowhere near agreement on adequate budgetary discipline for Emu, and that in 1994 the EC should stop short of setting up the planned EuroFed central bank and merely strengthen the EC central bank governors' committee instead. Earlier this month, Mr Wim Kok, the Dutch finance minister, made the same point.

● Mr Pierre Bérégovoy, French finance minister, has recently not only been polite about Britain's hard Ecu proposals, but also called for a strong "political counterweight" to the EuroFed, a stance difficult to reconcile with Germany's insistence on EuroFed independence.

● Mr Carlos Solchaga, the Spanish finance minister, has made no secret of his desire to move slowly towards Emu, seizing on the hard Ecu idea as the possible core of a prolonged transitional Stage Two.

The net effect of all these hesitations is to give the UK a chance to pick up allies that is far too big for Mr Delors' liking. The Commission president stresses the effort he made last June to welcome Mr Major's hard Ecu ideas as forming a possible bridge along which Britain would walk towards its EC partners. Now, however, there are signs of movement along that bridge, in the opposite direction.

EC ministers clear loans for Yugoslavia

By David Buchan in Brussels

EUROPEAN Community foreign ministers decided yesterday to lend Yugoslavia Ecu730m ($1.04bn) over 1991-95, and to subsidise the interest on these loans with Ecu77m drawn from the EC budget.

This is a substantial increase on the Ecu350m worth of European Investment Bank loans under the Community's second five-year financial protocol which runs out in mid-1991.

It reflects the fact that Yugoslavia has been targeted for special aid, along with other newly-democratised east European countries, from the Group of 24 western aid donors which includes EC states and is co-ordinated by the European Commission.

The latter body also announced yesterday that it was paying Ecu35m into a fund organised by the International Monetary Fund and World Bank to help capitalise Yugoslavia's commercial banks properly.

Last weekend's EC summit in Rome decided to contribute to currency stabilisation funds of Ecu700m and Ecu500m respectively for Czechoslovakia and Hungary. EC officials yesterday expressed disappointment that the Community's G24 partners appeared reluctant to pay their share into these funds.

However, on aid to the Soviet Union, which is not yet co-ordinated at a G24 level, EC finance ministers have finalised emergency food aid worth Ecu750m (one-third grant, two-thirds credit) and agreed on a supplementary EC budget for 1991 from which to give Moscow Ecu400m in technical aid.

OECD review will help Gonzalez

By Tom Burns in Madrid

THE annual OECD survey of Spain yesterday provided Mr Felipe Gonzalez's government with strong ammunition in its battle to impose wage moderation by highlighting the dangers that escalating labour costs pose to the domestic economy.

The report forecasts an inflation rate that will remain higher than that of Spain's main European Community trading partners over the next two years, albeit with diminishing differentials, and a current external deficit that is likely to be higher than its long term sustainable level. The outlook, says the OECD, "cannot but call for a continuation of tight policies."

The survey says that "a worrying feature" of the strong demand-led growth in the latter half of the 1980s was "the continuance of the rapid deterioration in cost and price competitiveness which is eroding the relative profitability of exports and investment."

Mr Gonzalez's government gets high marks from the OECD for its policy of slowing the economy through tighter monetary conditions and budgetary cutbacks. The survey says that before the Gulf crisis there was a significant slowdown of domestic demand and "the rise of both underlying inflation and of the current external deficit were seemingly being arrested."

The sharp increase in oil prices has however "brought this still hesitant unfolding of a 'soft landing' scenario to a halt."

The survey also forecasts that consumer price inflation will remain "broadly unchanged" between 1989-1991 and that the current external deficit will continue to rise in 1991.

Mr Gonzalez is due to propose a "competitiveness pact" to parliament next month which will ask opposition parties to back the government on wage restraint. The prime minister hopes such endorsement will impress the union leadership in advance of the annual round of collective salary negotiations.

The OECD says that "close adherence of wage settlements to the government's objective of 5.8 per cent in 1991 would not only reinforce the process of disinflation but, by boosting the potential output and employment growth over the medium term, would also generate positive dynamic effects in the real economy."

Gloomy view on French growth

By Ian Davidson in Paris

THE SLOWDOWN in the rate of French economic growth over the past year is likely to continue into 1991, according to an end-of-year assessment by Insée, the government statistical institute.

The economy will continue to expand but the slower rate of growth means that French unemployment, long one of the black spots, is unlikely to get better and may get worse, according to the report.

During the first half of next year, French gross domestic product should grow at an annual rate of 2 per cent, compared with 2.6 per cent in 1990 and 3.7 per cent in 1989.

A similar slowdown in job creation is also likely to continue next year.

The number of jobs created this year declined to 230,000 from 290,000 in 1989, and Insée expects a further decline to 150,000 new jobs in the 12 months from mid-1990 to mid-1991.

Moreover, manufacturing industry has been losing jobs again since the third quarter and Insée expects 50,000 more jobs to go in the 12 months to mid-1991, notably in the car industry and to a lesser extent in consumer goods and intermediate products. Despite a wage push in the first half of this year, and the surge in oil prices in the second, inflation has remained stable this year at 3.6 per cent, as in 1989.

As a result there has been a squeeze on company profit margins, a trend which Insée expects to continue in 1991.

The slowdown in the rate of growth has also prompted a decline in the rate of new corporate investment, which has expanded by around 5-6 per cent in volume this year, against more than 7 per cent in 1989.

The trade deficit is estimated to have deteriorated this year by FFr10bn to FFr55bn ($10.76bn), almost exclusively because of higher oil prices.

The deficit in manufactured products worsened during the year from FFr21bn in the first half to FFr34bn in the second of the year.

Insée expects a slight improvement in the manufactured products deficit, to around FFr30bn in the first half of next year, but the overall trade deficit is likely to total FFr40bn during the same period.

The Turkish economy moves unsteadily forward

Gulf-related losses overshadow some progress on more familiar problems, writes John Murray Brown

FOUR months into the Gulf crisis Turkey's economy displays all the halting characteristics of that most curious of Ottoman traditions, the march of the imperial guard – one step back for every two steps forward.

Policy makers are bracing themselves for another hard winter. But while the crisis has made a nonsense of most government projections, there is little evidence of direct damage to the economy.

Official estimates of the cost to Turkey of enforcing the United Nations embargo range between $2bn (£1bn) and $9bn.

Receipts from transport and tourism have been badly hit and Turkey has foregone as much as $600m in royalties by closing the pipeline taking Iraqi oil to the Mediterranean.

But the figures are largely guesswork at this stage.

Indeed the State Planning Organisation is projecting growth at 5.7 per cent in 1991, compared with 9 per cent this year and 1.7 per cent in 1989. Exports and investment continues to rise.

Turkey's underlying problems, however, remain the familiar ones – chronic high inflation, a $42bn foreign debt and a current account which this year has slipped into deficit after two years in surplus.

After seven years of market-based reform, President Turgut Ozal's dream of a modern, industrialised share-owning democracy has still some way to go.

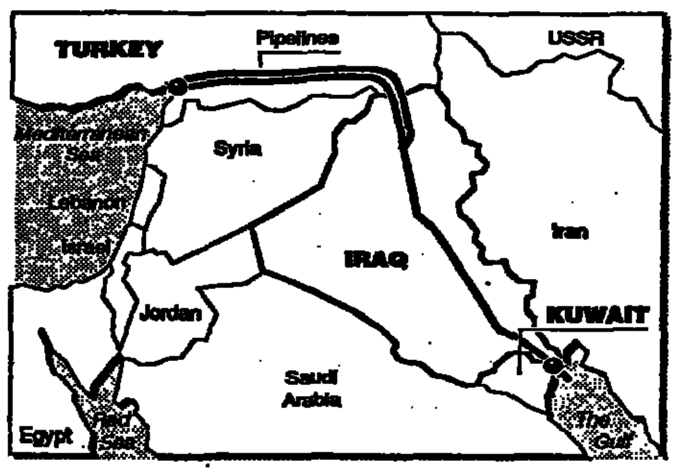
Turkey, like many developing countries, is caught between the need to encourage the private sector while maintaining public services for large parts of society living outside the modern market economy.

On the trade account, Turkish exports has been little effected by the 35 per cent appreciation of the real exchange rate since 1988, underlining industry's new found competitiveness.

Textile exports, for example, increased 17 per cent in the first nine months of 1990.

On the other hand, the strong lira has prompted a surge in imports, with the current account deficit now set to reach $2.3bn in 1991, the highest level since the early 1980s.

"We are going through a consumer crisis. But you can't tell people to spend less," says



Mr Adnan Kahveci, the finance minister, who last week presented the new budget to parliament.

Tighter monetary policy has helped to restrain the public sector deficit. The public sector borrowing requirement (PSBR) is set fall to 7.5 per cent of GNP in 1991, compared with 9.3 per cent this year.

The high 1990 PSBR is partly explained by the inventory costs of TMO, the state food agency, which bought large amounts of wheat this year.

The government can also claim a degree of success in controlling inflation.

The current import surge is helping to hold down the prices of some products, a trend particularly noticeable in the auto and white goods sectors.

This is in sharp contrast with recent experience – private business has long been accustomed to the prospect of prices rising at close to 60 per cent.

But elsewhere, the strain is beginning to show.

After a decade of wage restraint – a major factor in maintaining the export drive – union problems are back with a vengeance.

The country's largest ever strike at coal mines on the Black Sea coast is now in its third week.

Both opposition parties – the conservative True Path Party and Social Democratic Populist Party – have backed the unions. The labour unrest shows signs of spreading to other sectors, like textiles, which was Turkey's most important export earner last year.

A round of high wage settlements will certainly put public finances under increased strain. But as the OECD points out, wages are not the cause of Turkey's inflationary spiral.

The greater challenge is how to finance the large state sector, which still accounts for about 30 per cent of industrial output while absorbing 60 per cent of public investment. An example is Tek – the state electricity company which employs around 70,000 people – but which has debts of close to $4bn.

In the fight against inflation, the government is now restricting the price of state enterprise products.

As a result, many corporations are now borrowing, pushing up inter-bank rates and making life even more difficult for private companies.

Privatisation as a solution has lost some of its appeal, even among government officials.

Since its start in 1984 proceeds from the programme have totalled TL1,000bn, but the public's appetite for large-scale sell-offs of state companies has proved limited. In addition bankers have warned that the programme could crowd out the capital needs of the private sector.

President Ozal's exasperated suggestion to "sell at any price" was a measure of the government's failure to address the problem of public finance, which remains Turkey's single greatest economic headache.

EUROPE

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Peugeot set for Citroën joint venture in China

By John Elliott in Hong Kong and William Dawkins in Paris

PEUGEOT, the French car group which also embraces the Citroën marque, is due to sign a joint venture contract in Paris today to make Citroën's newest model in the Chinese province of Hubei.

Investment is expected to total at least Yuan 4bn, including 30 per cent from Citroën, with the rest from the Chinese partner, the long-established Second Automobile Works, French industrial officials say.

Assembly of imported kits is due to start next year, building up to full local production of 150,000 cars a year by 1994, with a significant increase at a second stage.

Christened Aeolus-Citroën, the project will be based in the city of Wuhan and produce the ZX, a small to medium-sized car due to be launched in France late in the first quarter of next year.

The ZX will compete against hatchbacks like the Volkswagen Golf, which is about to be produced in China in a DM1.6bn (£550m) joint venture signed last month between the German group and the First Auto Works in the northern province of Jilin. Volkswagen will also make Jetta saloons there and already produces Santana sedans at a joint venture in Shanghai.

This makes Peugeot the second European car company to sign a second joint venture agreement in China. It already has a factory in the southern city of Guangzhou producing Peugeot 504 and 505 station wagons, pick-ups and cars. The projects show that China has now decided to use foreign companies that have gained experience in the country to modernise its older plants.

The Peugeot deal comes after nearly four years of negotiations, delayed by the imposition of EC sanctions against China following the military crackdown on the student riots of June last year.

This included a block on state loans, lifted last February. Mr Raymond Ravenel, Citroën's international affairs adviser, was yesterday quoted as saying that the investment includes up to FFr2bn of French government loans.

Pilkington in deal for $140m Polish glass works

By Christopher Bobinski in Warsaw

PILKINGTON, the UK glass maker, has signed a letter of intent with Poland's Sandomierz glass works jointly to build a $140m (£72.9m) float glass plant there.

The equity value of the venture will be about $48m with International Finance Corporation, the World Bank associate, taking a 15 per cent share.

It is hoped the plant will start up operations early in 1994.

Sandomierz has been negotiating with Asahi Glass of Japan for some years, and the Pilkington proposal would mark the largest British investment in Poland to date.

At the moment, Poland has 1,500 foreign joint ventures in operation, of which 5 per cent are part-British.

The letter of intent comes as the Polish government is due today to discuss foreign investment law changes.

These include provision for unlimited transfer of profits abroad and removal of the need for permission for foreign joint ventures with private-sector companies.

Three-year tax holidays are to be maintained in priority areas, and where foreign investment exceeds $2m.

Japan responds with calm to Gatt crisis

But bureaucrats are busy mapping out a new trade strategy, reports Robert Thomson

FOR a country perceived to be uniquely vulnerable come the collapse of the world trading system, Japan has responded with a strange calm to the crisis in the Uruguay Round negotiations to liberalise world trade.

Japanese ministers have deferred discussion of the issue, preferring to concentrate on year-end party obligations and other matters of pressing local interest, while some politicians presume that the trading order's demise would highlight Japan's economic strength and the weakness of the competition.

But in the two weeks since the collapse of the Brussels talks, there has been considerable bureaucratic activity behind the political complacency and corporate silence. And Japanese negotiators are close to finalising the conditions on which they will open the rice market to imports.

The problem is timing. For domestic political reasons, officials still have no plan to make an offer before the EC and US reach agreement on agriculture, as a decision to allow rice imports will hurt the ruling Liberal Democratic Party, which wants to keep the public debate brief.

A popular proposal circulating within the Agriculture Ministry – aggressive in its public opposition to rice imports – provides for amendments to a Swedish submission made two weeks ago that 5 per cent be set as a minimum for compulsory imports of presently banned products.

The Japanese proposal, unlikely to hit the negotiating table before the last of the deadlines, is for a two-tier system, with a 5 per cent opening for some products and a 3 per cent level for products crucial to "food security", which, in Japan's case, means rice.

Japanese negotiators say that the principle of "food security" must be enshrined in any Gatt package on agriculture, and that future increases in the 3 per cent level must be considered as a separate issue from a broadening of access for products in the 5 per cent category.

With rice policy virtually settled, albeit privately, Japanese officials have unexpectedly praised EC flexibility and condemned the US for intransigence on agriculture.

Mr Noboru Hatakeyama, director-general of international trade policy at the Ministry of International Trade and Industry, last week said that the US and Cairns Group had been "very, very rigid" during the Brussels negotiations.

He was probably articulating a frustration felt by his negotiators at US inflexibility on a range of issues, and reflects disappointment at problems arising in negotiations over intellectual property.

"What we can see now is a problem present from the very start of the Uruguay Round. Some people in Washington have seen the round as an attempt to make the rest of the world more like America. This should be a give and take process, but these people are not counting what they have gained, they only count what they have lost," a senior negotiator said.

He is perturbed by the influence of US industry advisers, whom he says have taken a dislike to the emerging Gatt package and have become belligerent: "They are very self-righteous. They have a certain self-image, and the negotiations are showing the economic reality is slightly different. They don't like that."

A second reason for Mr Hatakeyama's sudden embrace of the EC is apparently related to the growing perception in Tokyo that relations with the Community must be cultivated and that past trade policy has been too heavily weighted towards Washington.

Japanese negotiators feel that they have Washington's measure, but admit to difficulties in understanding how conflicting national objectives are blended into EC policy.

The government is watching closely for signs of an improvement in relations between the US and EC, and even Japanese negotiators have sought explanations from foreign diplomats about the personalities and attitudes of President Mitterrand of France and Chancellor Kohl of Germany.

Tokyo's faith in the durability of trade harmony regardless of a successful Uruguay Round seems surprising. Mr Hatakeyama presumes that Gatt rules will continue to operate even if the Gatt collapses. Other Miti officials believe that too much work has been done on issues such as investment measures, intellectual property and anti-dumping for the round to be completed without agreement in some of these areas, regardless of the fate of agriculture.

A senior Agriculture Ministry official said that the world trading system is now "so interrelated" that "we can't conceive of any situation in which Japan would be hit hard without other nations being hit hard".

"The US is always trying to create a crisis. Our position is to proceed in a calm manner with realistic ambitions. US negotiators should be more realistic," the official said.

Unfortunately for Japan, this laid back approach is winning few friends and is soaking up goodwill in Washington. If Gatt negotiations on agriculture remain unsettled, and Japan keeps its proposal in a desk drawer, the US could resort to bilateral methods.

This scenario was considered in an editorial in the Nihon Keizai Shimbun, the leading economic daily: "By failing to act, Japan has made one choice – increasing the likelihood that the US will resort to bilateral negotiations to press for the opening of the rice market...this would give rise to bilateralism at the expense of multilateralism."

To highlight the point, the US Rice Millers' Association has just announced plans to file a complaint against Japan under Super 301, the punitive section of US trade legislation. Mr Clayton Yeutter, the US agriculture secretary, prides himself on having done Tokyo the favour of keeping rice off past hit lists – is he ready to do Japan another favour?

Export credit signed for Bahrain smelter project

By Stephen Fidler, Euromarkets Correspondent

AN UNUSUAL $580m (£302m) export credit arrangement for an aluminium smelting project in Bahrain has been signed, virtually completing a financing which has taken two years to assemble.

The export credits, provided by a group of banks with the guarantees of the export credit agencies of Germany, France, the UK, Italy and Belgium, are unusual in that they are secured against contracts for future deliveries of aluminium.

Although international banks are used to such security, most export credit agencies are not familiar with the concept and prefer to lend with a sovereign guarantee.

However, the government of Bahrain was not willing to provide its explicit guarantee for the financing of the project, although it has agreed to off-take some of the product.

Financing for the project, an extension to the existing Aluminium Bahrain smelter, totals $1.45bn and follows equity and commercial bank agreements signed in July this year. The expansion includes an 800MW power station and increase capacity to 460,000 tonnes a year. Bankers said Iraq's invasion of Kuwait had probably delayed completion of the financing.

Chase Investment Bank and Gulf International Bank were financial advisers to Aluminium Bahrain.

Prague and Moscow reach trade pact after oil row

By Leyla Boulton in Moscow

CZECHOSLOVAKIA has concluded a trade and economic agreement with the Soviet Union for 1991 after resolving a bitter row over oil supplies.

Under the deal, Moscow will supply Czechoslovakia with 7.5m tonnes of oil, an amount which still falls way below an initial Czechoslovak request for 13m tonnes, or this year's level. The Soviet Union, in the throes of economic crisis, caused severe economic disruption to its East European partners by failing to honour commitments for subsidised oil deliveries this year.

Instead of 16.6m tonnes promised for 1990, Czechoslovakia received only 13m tonnes. Prague in turn threatened to cut back exports of food and industrial goods and to deal directly with individual Soviet republics.

It then began by-passing Moscow for oil supplies, obtaining 200,000 tonnes of oil from Siberian producers in Tyumen in exchange for food and consumer goods. Prague hopes to increase locally-obtained supplies by equipping individual Soviet enterprises with machinery and technology. The 7.5m tonnes is simply the amount guaranteed by the Soviet government.

Although Soviet oil exports will for the first time be calculated at world prices in hard currency from January 1, it will still be cheaper than other sources because it is pumped into Czechoslovakia through the Druzhba (Friendship) pipeline.

The agreement, signed here on Monday during a visit by Mr Vaclav Vales, the Czechoslovak deputy prime minister, also officially clears the way for Prague to deal directly with individual Soviet republics. Mr Pavel Svoboda, economic counsellor at the Czechoslovak Embassy in Moscow, said experts were already working on new economic accords with Russia, the Ukraine and Uzbekistan.

Prague wanted oil from Russia, coal and precious metals from the Ukraine and cotton from Uzbekistan, he added. In return, it proposed to sell them food, consumer goods and machine tools.

Private-enterprise Poles push into new Soviet market

By Christopher Bobinski, recently in Minsk, Byelorussia

POLISH COMPANIES are increasingly turning to the vast Soviet market after years of complaint that trade with the Soviet Union was ruining their country.

Russian unwillingly learned in school is being brushed up as private and state business sectors, pressed by low domestic demand, try to survive by recapturing the 9 per cent share of the Soviet market Poland had under the Comecon trading system.

After 11 months of this year, exports to Soviet Union at Roubles 5.5bn are 17 per cent down on the same period last year, but a 42 per cent fall in imports means Poland has a trade surplus worth Rbs 2.6bn.

January 1 will see a switch to hard currency pricing, and exports will be vital if Poland is to be able to pay for key purchases of Soviet oil and gas. Next year's budget projections foresee a $1.1bn (£570m) trade deficit on overall exports worth $14.5bn, against this year's $4bn surplus in trade with hard-currency partners.

Polish salesmen are braving the hardships of crowded border crossings, to search for Soviet clients with either hard-currency or goods suitable for barter.

In Minsk last week, at Partner Bis, a fair organised by Perfect Agio, a private Gdansk-based trading company, the offensive ground to a halt. The 130-or-so private and state sector companies encamped in the exhibition centre found to their dismay that their Soviet partners still had no clear idea what rules are going to apply from the start of 1991.

But business done over the week, at the cost of some $1,400 a stand, amounted to $17m and Rbs 47m, a fall on a similar fair in Minsk in October which delivered contracts worth $67m and Rbs 168m.

State-owned giants which under the old agreements were certain of delivering 70 per cent of their construction machinery to the Soviet Union, were present in Minsk ready to barter a mechanical digger for safety matches if need be, because of the problems of selling their goods.

Others were simply offering western products, hoping to be paid even in Soviet plastic buckets and plastic toys. Also on offer were deliveries of 3,000-tonne tanker-loads of diesel fuel, the first Soviet petroleum products imported by a private Polish company.

AMERICAN NEWS

Aristide emerges as president of Haiti

By **Canute James** in Kingston

ELECTION officials in Haiti say there will be no need for a run-off to decide the country's next president because radical priest Father Jean-Bertrand Aristide appears to have won about two thirds of the votes cast in presidential and legislative elections on Sunday.

However, Mr Marc Bazin, a conservative economist who came a distant second, has asked the electoral commission to declare null and void the vote in some regions.

The request is unlikely to be entertained as hundreds of foreign observers who witnessed the voting said there was no visible fraud although there were administrative problems.

The conduct of the elections, which took place under threat of violence from thugs loyal to the Duvalier family dictatorship which was overthrown in 1986, has been welcomed by the US. "The Haitian army and the security forces acted admirably," said Mr Richard Boucher, a spokesman for the US State Department. "We call on all parties to respect the result of the election."

Haiti's Caribbean neighbours have welcomed the conduct of Sundays's elections, and have suggested immediate international financial assistance for the country.

"Haiti is now in the democratic fold and it is for us in the Caribbean to keep it there," said Mr John Compton, prime minister of St Lucia, who was in Haiti as an observer of the poll.

"Haiti has been stalled for a long time and now needs a jump-start. The international community must move quickly and get some money into Haiti." The country is among the poorest in the Americas.

Fears of post-election violence increased on Monday night following the death of a pregnant women and injury to several people when a group of men, said to be policemen, opened fire indiscriminately on a crowd celebrating the expected victory of Father Aristide.

Police denied involvement, according to local radio reports yesterday. They quoted police officials as saying that police merely shot over the heads of the crowd, and that the woman had been run over by a pickup truck accidentally.

The incident came after extraordinarily peaceful elections. Observers from the United Nations and the Organisation of American States (OAS), and an international team led by former US president Jimmy Carter, praised the vote and had warm words for the army, which had been widely blamed for acquiescence in the violence that halted 1987 elections.

Foreign officials also expressed optimism that multilateral financial agencies and developed countries would provide economic aid to a democratic Haiti.

Supporters of Jean-Bertrand Aristide ride by the National Palace in Port Au Prince, Haiti

Argentina paralysed by reports of 'mutiny'

By **John Barham** in Buenos Aires

FALSE radio reports of Argentine tank movements triggered fears of another military uprising and briefly paralysed the country on Monday evening.

Two armoured columns were reported to be advancing on the provincial town of Chajarí, where the garrison began to dig in to face the attackers. In Buenos Aires, President Carlos Menem called an emergency meeting with the defence minister and army commander to assess the threat.

Two weeks earlier, fighting had erupted only yards from the Casa Rosada, the presidential palace, after a mutiny by army rebels.

Officials quickly dismissed Monday's reports as a hoax put about by extremist factions in the army, spread by irresponsible journalists and accepted unquestioningly by the public.

Mr Menem swiftly suppressed the December 3 uprising and claims the military has been "pacified". But the panic over the fictional battle of Chajari demonstrates that nobody believes this.

White House retreats on race scholarships ban

By **Lionel Barber** in Washington

US president George Bush yesterday ordered the Education Department to retract a decision to ban race-based scholarships to colleges and universities. The decision had raised a storm of protest from civil rights groups and disquiet among cabinet members.

The task of announcing one of the administration's fastest about-turns in recent memory fell to Mr Michael Williams, the 37-year-old assistant secretary who drafted the controversial policy and who happens to be black.

"It was indeed politically naive," said Mr Williams, an amiable and articulate Texan who has successfully prosecuted Klu Klux Klan members but who confessed yesterday that he never imagined he could provoke such an uproar in Washington.

Only last week Mr Williams unveiled the decision to bar federal aid to colleges and universities which were offering scholarships restricted to minority students.

Coming amid a national debate on whether blacks and other minorities should continue to receive favoured treatment, or "affirmative action", the ruling proved explosive. It was not cleared at the White House.

Mr Bush let it be known he was "disturbed" by the decision and yesterday's retreat looked much like unconditional surrender.

Federally funded universities will nowbe allowed to hand out scholarships reserved for minority students if private donors or foundations so mandate. The department also pledged not to enforce "broad compliance" with respect to minority scholarships and to review legal restrictions on such scholarships imposed by courts.

However, private universities receiving federal aid may not fund race-exclusive scholarships with their own money.

Under Mr Williams' original ruling, need-based aid and minority scholarships set up by private organisations would still have been allowed, provided race was not the only factor involved in the award.

But that did not prevent heated questioning at yesterday's news conference. Asked by a black reporter how he felt being a "lackey of the establishment and the white power structure, Mr Williams stood his ground. "I think we have to be very careful before making any decisions based on race," he said.

Behind the issue lies widespread unease about the fragility of black achievement in higher education, more than 35 years after the passage of the Civil Rights Act.

George Bush: 'disturbed'

According to the latest statistics, black enrolment in colleges and universities in 1988 was 8.7 per cent of the national total – a marginal gain over the previous year but still low given that blacks comprise 12.4 per cent of the population.

But the controversy over affirmative action seems certain to continue, not least because some conservatives believe that opposition is a vote-winner among whites and the growing number of non-black minorities.

Third World debt burden reported to be easing

By **Michael Prowse** in Washington

THE Gulf crisis is placing severe additional financing strains on many developing countries and threatens to undermine recent progress in resolving the Third World debt crisis, says the World Bank in its latest assessment of debt trends, published today.

Total external debt rose 6 per cent in 1990 to a record $1.34 trillion, the bank says. But the burden is more sustainable than in the late 1980s because the ratio of both debt to exports and debt service to exports has fallen. This reflects buoyant growth of exports in recent years and the success of official debt reduction initiatives, such as the plan named after Mr Nicholas Brady, the US Treasury Secretary.

But the bank warns that the composition of debt has changed markedly with a "significant and unsustainable increase in reliance on official creditors". There is also a long-term risk that insufficient external finance will undermine the adjustment efforts of developing countries. The need to mobilise domestic savings is thus greater than ever.

The ratio of debt to exports for all developing countries fell from 232 per cent in 1987 to 187 per cent in 1989; the ratio of annual debt service (interest plus amortisation) to exports fell from 28 per cent to 22 per cent. A further small improvement in these ratios, which provide a guide to the sustainability of debt burdens, is projected for 1990.

The bank says middle income debtors have gained significantly from the Brady Plan, which offers debt relief to countries which agree "sound adjustment programmes". Agreements concluded with Mexico, Costa Rica and the Philippines have reduced the face value of commercial bank debt by $9.5bn; an agreement scheduled to be completed with Venezuela by the end of the year will achieve a further $2bn reduction.

The deals cover about $65bn of outstanding commercial debt and will achieve big savings in future payments of interest and principal.

Severely indebted low income countries, mainly in sub-Saharan Africa, have also won important concessions. Bilateral agreements have led to the forgiveness of $5bn of Overseas Development Assistance debt. The Paris Club of official creditors has rescheduled nearly $6bn of debt on the concessional terms agreed at the 1988 Toronto economic summit. And donors have pledged nearly $3bn in concessional finance for the second phase of the bank's Special Programme of Assistance for distressed African countries, roughly twice the sum disbursed to date.

These gains, however, have been offset by a worrying build up of arrears on interest payments, which rose by $7.2bn in 1990. The most intractable problems involve unpaid interest on commercial bank debt in Argentina and Brazil.

The Gulf crisis is posing severe short-term adjustment problems. The bank calculates that higher oil prices and other adverse effects will cost oil importers the equivalent of 4 per cent of exports over the next three years. The burden for the poorest and most indebted African countries will be nearer 10 per cent of exports. Meanwhile oil exporters such Nigeria and Venezuela will enjoy windfall gains of 20 per cent of exports.

The bank says most oil importing developing countries cannot cushion the shock through additional borrowing and will need more concessional support.

The withdrawal from lending of commercial banks coupled with official debt relief schemes have caused a marked change in the composition of developing country debt. Long-term debt to official creditors has more than tripled since 1980 and, together with IMF credit, now accounts for 46 per cent of total debt. The share of official debt service in total debt service has risen to 37 per cent compared with 10 per cent in 1982.

Much of the risk associated with the debt crisis has thus been transferred from private to official creditors who may come under greater pressure to forgive official debt owed by middle income countries. (Such debt is not covered either by the Brady plan or by the easier terms agreed for poor countries by the Paris Club.)

The changing composition of developing country debt represents a big reversal from the late 1970s and early 1980s when commercial banks were dominant and a return to the pattern of flows considered normal in the 1960s. The composition of official flows has also changed with the share of grants and concessional loans rising sharply.

Aggregate net resource flows to developing countries have risen modestly since the mid 1980s. But they have not been translated into higher living standards because they have been more than offset by the costs of servicing external capital – interest payments on loans and remittances of profits on foreign investment.

In a reversal of normal development patterns, Third World countries thus continue to export more goods and services to industrial countries than they receive in imports. The debt crisis thus remains far from resolved.

Editorial Comment, Page 14

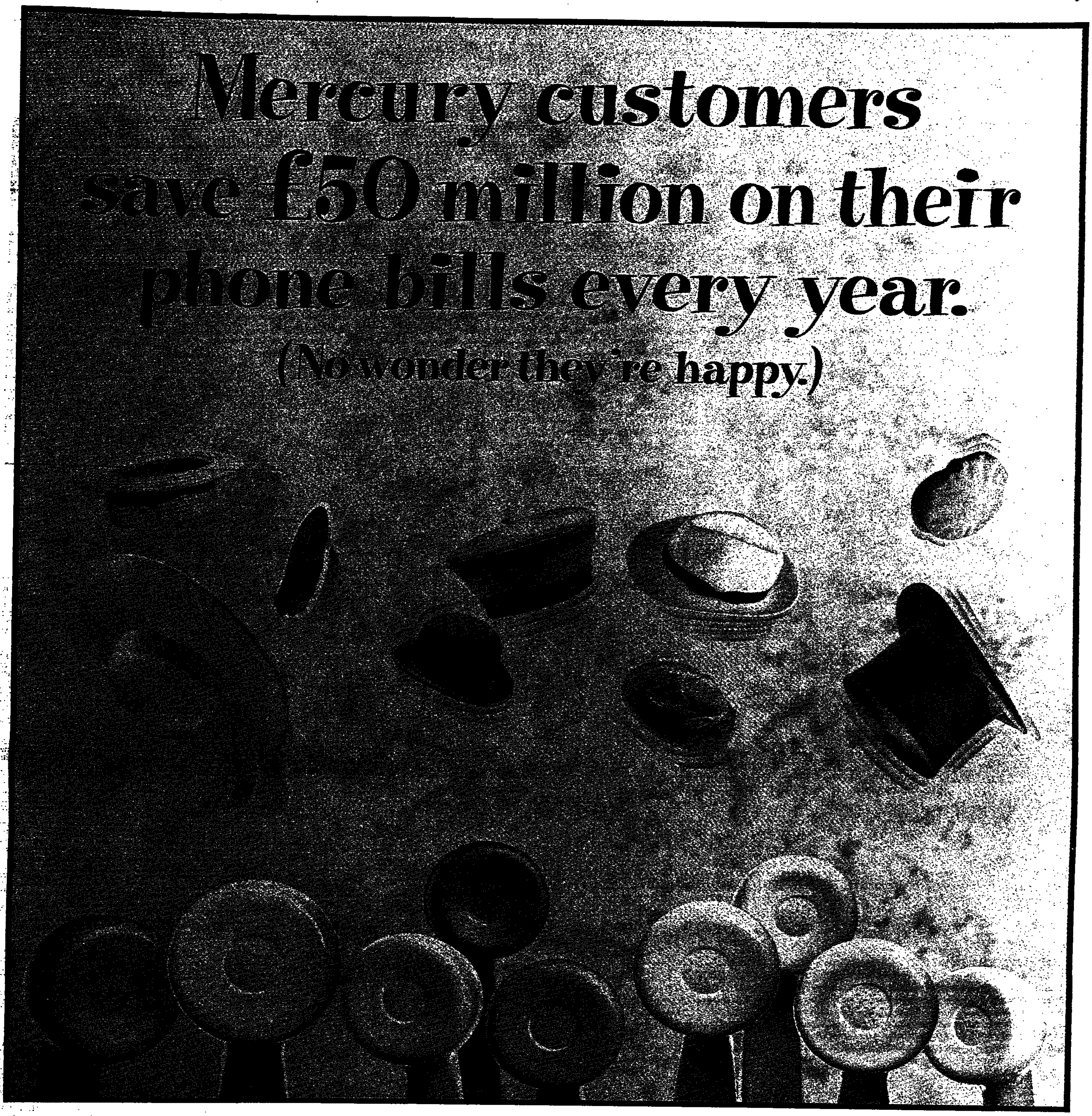
Uruguay debt plan backed

By **Stephen Fidler**, Euromarkets Correspondent

URUGUAY'S commercial bank creditors have all responded to a debt restructuring proposal, allowing the agreement to be signed in Montevideo on January 31.

Banks covering 39 per cent of the debt said they would sell their debt for cash, at a price of 56 cents on the dollar; 33 per cent said they would exchange their old loans for concessional 30-year bonds carrying a 6¾ per cent coupon; and the remaining 28 per cent would make new loans equivalent to 20 per cent of their existing exposure.

Bankers claimed the government was pleased with the mix of choices. Among the banks which have chosen to extend new loans were Citicorp, which heads the country's bank advisory group, and Lloyds of the UK.



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INTERNATIONAL NEWS

● THE MIDDLE EAST

Iraqi atrocities in Kuwait spelled out by Amnesty

By Victor Mallet, Middle East Correspondent

AMNESTY International, the London-based human rights group, today publishes the most detailed account so far of Iraqi atrocities in Kuwait, including the torture, rape and killing of the country's citizens and foreign residents.

The Amnesty report* says Iraqi forces, which invaded Kuwait on August 2, took several thousand prisoners and left more than 300 premature babies to die after looting incubators from Kuwait's main hospitals. "The Iraqi forces' brutality in Kuwait has shocked many people in the last four months," Amnesty said, "but such abuses have been the norm for people in Iraq for more than a decade."

Amnesty details 38 methods of torture used by the Iraqis in Kuwait, including mock executions, the severing of tongues and ears, gouging out of eyes and electric shocks.

Most of the reported abuses took place in the first three months after the invasion, when resistance was strongest. "The severity of the early suppression appears to have crushed much of the opposition that led to arrest, torture and killing," it says.

"Time and again we were told that the most common way soldiers killed people was to take the victim to his family's doorstep, have his relatives identify him, and then shoot him in the back of the head." Some people were killed for resisting the "Iraqisation" of their country by carrying Kuwaiti money or refusing allegiance to President Saddam Hussein, the report said.

Corrupt soldiers and officials were often willing to free their victims in exchange for money or video recorders. Although most of the detainees were Kuwaitis, those held included Jordanians, Syrians, Egyptians and Asians.

Amnesty has collected the names of about 1,000 people arrested, but it is thought that thousands, some as young as 13, are still held in Iraq and Kuwait.

A 31-year-old doctor told Amnesty that five or six bodies were brought each day to his hospital. "Many bore marks of torture," he said. "Judging by the bodies that I personally saw, the methods of torture being used included the extinguishing of cigarettes on the body; burning of the skin with heated metal rods; application of electricity; cutting off of the tongue and ear; gouging out of the eyes and the breaking of limbs."

**Iraq/occupied Kuwait: Human rights violations since August 2, Amnesty International, 1 Easton St, London WC1X 8DJ.*

Hong Kong policemen cycle along the border with China. Police took over border security from the British army this month.

Share dealing returns to Shanghai

John Elliott on the opening today of China's latest stock exchange

JUDGING BY a procession of Hong Kong dignitaries and investment fund managers to Shanghai this week, one might be forgiven for believing that this once grand financial capital of China is about to become fashionable as Asia's latest emerging stock market.

Led by Baroness Dunn, one of Hong Kong's leading politicians and head of its trade development council, and by Sir Quo Wei Lee, chairman of the colony's stock exchange, the visitors are attending a jamboree put together by Mr Zhu Rong Ji, Shanghai's ambitious mayor, to celebrate the opening today of the city's stock exchange.

There are only 15 traded stocks in China, so there is unlikely to be a stampede from foreign players, although some limited foreign involvement is being considered.

Today's event is important because China is beginning, hesitantly and with little apparent top level co-ordination, to develop the capitalist concept of financial markets.

The central government's primary aim is to create a secondary capital market in interest-bearing bonds to help solve its own acute cash shortage. There is thought to be about Yuan 114bn (£11.2bn) worth of bonds already in circulation, and about Yuan 650bn savings in the banking system which the government would like to tap.

A secondary market could also lend legitimacy, and possibly some popularity, to bonds which the government has forced on workers through deductions from wages.

How markets can function in such a society has, however, not been thought through, and there are considerable misunderstandings among Chinese officials about what is involved. But the momentum is there.

Three weeks ago the country's first nation-wide securities trading system was launched, linking six cities and 18 licensed corporations for trading in government treasury bonds. Called Securities Automated Quotations System (STAQ), this is a Chinese version of the Nasdaq securities system in the US. But regional rivalries are slowing integration.

The main promoter is Mr Wang Bo Ming, the Harvard-educated vice-president of Peking's reformist Stock Exchange Executive Council, who says he would like to include stocks as well as bonds. Mr Li Peng, the prime minister, is believed to be in favour, but there were no senior Chinese leaders at the launch in Peking, raising questions about the degree of top level support.

In the south, the free market-oriented special economic zone of Shenzhen adjacent to Hong Kong, has been running a chaotic stock market since 1987 and has five listed companies. Rampant speculation, much on a kerb-side black market, pushed market capitalisation last month up to more than Yuan 7bn and government restrictions have been imposed.

Government officials have been prominent among speculators reaping massive profits and have now been banned from trading. As a result Shenzhen is in disgrace and Peking has not yet given it approval formally to open a new stock exchange headquarters and trading floor.

Shanghai, which has seven quoted company stocks and 25 listed bonds, is therefore in the lead. This reflects the importance attached to the city by Peking, where a powerful Shanghai lobby, led by Mr Jiang Zemin, the party secretary and Shanghai's former mayor, favours the city in preference to what is seen as the corrupt and unruly south.

Mr Zhu has central support for trying to return Shanghai to some of its former glory with foreign business involvement in projects led by a new $50bn (£26bn) development zone at Pudong across the Yangtse river from the main city.

The new exchange is located on the city's riverside Bund, the financial centre of pre-revolutionary Shanghai. It will bring together trading scattered around the city which amounted, according to official figures, to Yuan 1.8bn in the first nine months of this year.

The Shanghai exchange has arrangements for automatic and trading floor dealing and has a list of 20 eligible brokers which Mr Wei Wen-Yuan, head of the preparatory body, says is expected to rise to 50 within three to five years.

Mr Wei says that the emphasis will be on bonds, which are expected to be split into four categories: treasury bonds, construction bonds issued by provincial governments, financial institutions bonds and enterprise bonds.

Equities will be developed more slowly but there are plans for a special category of B shares denominated in US dollars which would cater for foreign-owned companies and joint ventures. The first could include a Hong Kong textile company owned by a prominent family from Shanghai or a local joint venture such as Volkswagen cars, which already has a bond issue, or Pilkington glass.

There are also discussions about allowing pilot schemes which would give foreign investors direct access to the market, though Mr Wei would only say that "in principle it should be in order".

This is being watched closely by Hong Kong financial services companies such as Barings and Jardine Fleming as well as by Indo-Suez Asia, which wants to finalise a £35m country fund called the Shanghai Fund within a couple of months.

But there is considerable nervousness in China about recent developments. A Chinese news agency recently reported a Shenzhen government edict that each item of stock news should be accompanied by a government warning to unwitting speculators that there can be losses as well as profits:

"Think carefully before you decide to trade in stocks. You must be prepared to take the risk this kind of investment will cause".

Diplomatic war of nerves on Iraq talks

By Richard Tomkins in Baghdad

IT appears to make no sense. If Iraq is sincere in its desire for peace, why will it not accept an early date for talks with the US over the Gulf crisis?

It seems like a procedural quibble. But from an Iraqi perspective, President Saddam Hussein has sound reasons for digging in his heels.

Nine days at present separate the two sides. Iraq has invited Mr James Baker, the US secretary of state, to meet President Saddam in Baghdad on January 12, but President Bush insists January 3 is the last possible date.

Washington says the earlier date is necessary to allow time for Iraq to comply with the United Nations deadline of January 15 for the withdrawal of its troops from Kuwait.

The flaw in this argument, as seen from Baghdad, is that the UN deadline is largely irrelevant. All that really matters is that talks should take place in time to prevent the outbreak of hostilities, whenever that might be.

Whatever hopes were pinned on a meeting between Mr Tariq Aziz, Iraq's foreign minister, and EC ministers, disappeared yesterday when foreign ministers in Brussels decided not to see him without his first having met President George Bush. Mr Aziz was due to have met the ministers in Rome on his way home from the talks he was supposed to have had with Mr Bush on Monday.

Delay operates to Iraq's advantage. It not only provides the opportunity for anti-war sentiment to grow in the West. It also increases the likelihood of cracks appearing in the anti-Iraq alliance and offers the hope an Arab initiative could emerge, providing a more attractive solution to Iraq than a US-sponsored one.

Now committed to its own date it has become impossible for President Saddam to bow to Washington's deadline because of the importance of entering talks in a position of strength.

Mr Bush's stance is that the sole aim of the talks is to convey the allied forces' determination to use force to secure Iraq's unconditional and complete withdrawal from Kuwait.

Mr Saddam's equally determined position is there must be dialogue, and it sees little prospect of achieving this if it makes conciliatory gestures before meetings have started. To that extent, President Saddam may have calculated it would be better to have no talks at all than agree to them on Washington's terms.

This does not mean the talks are off. Iraq yesterday was standing by its determination not to be "dictated to" by the US. Yet mention of January 12 has disappeared from the rhetoric. January 6, 7, or 8 could well emerge as a compromise date - but someone else may have to make the next move.

Saddam's options considered

MR Harold Walker, the British ambassador to Baghdad, yesterday added to speculation that Iraq's president Saddam Hussein could try to seize the initiative from the US-led alliance in the Gulf, possibly by staging a partial withdrawal from Kuwait or by stirring up trouble in Jordan, Victor Mallet writes.

Mr Walker described Mr Saddam as a "very able, very clever leader" who would be thinking hard of ways to extricate himself from the crisis.

A partial Iraqi withdrawal from Kuwait was "very much on the cards", said Mr Walker.

One of the most pressing worries within the alliance is that Mr Saddam will attempt to bring Israel into the conflict, possibly by provoking the Israelis through some kind of intervention in Jordan.

Washington's Arab allies in the Gulf would be deeply embarrassed if they found themselves on the same side as Israel in any war, and the west is hoping that Israel will maintain a low profile for as long as possible.

Taiwan bank scandal charges

TAIWAN prosecutors yesterday charged 81 people in connection with a multi-billion dollar underground bank scandal which imperilled the savings of hundreds of thousands of small investors, Reuter reports from Taipei.

A spokesman for the Taipei District Prosecutor's Office said Shen Chang-sheng, former head of the Hung Yuan investment group, was among those charged with fraud and violations of the banking, corporation and securities laws.

Also charged was former Hung Yuan president Yu Yung-ming.

At its height in early 1989, Hung Yuan claimed assets of $3.6bn.

These included a department store in the centre of Taipei and land and branch operations in countries ranging from Hong Kong to Turkey.

China inflation rate sets off alarm bells

CHINA'S inflation rate edged up in November as slack market demand, bane of the national economy in 1990, began to expand, the official newspaper Economic Information said.

Last month inflation ran at 5.3 per cent, compared to November last year. That was a jump of 1.7 percentage points from October's year-on-year rate. While this may not seem much, in China inflation causes exceptional alarm because for 35 out of the 41 years of communist rule, prices hardly moved at all.

Some fuel prices rose by an average 60 per cent in 35 cities in China, compared to the same month last year, the newspaper said. Prices of some cotton goods and household products have also been raised over the last two months, and the price of grain will soon go up.

Inflation surged to a peak of 30 per cent in 1988, adding to anti-government resentment that motivated mass demonstrations. The protests were crushed by troops in Peking with heavy loss of life.

Demand also increased in November with retail sales rising by 10.3 per cent to Yuan 70.8 bn (£7bn) over the same month a year ago. That growth far outstripped the 1.1 per cent rise in sales seen in the first 11 months of this year over the same period in 1989.

But November's economic pick up came at a price. In spite of the official austerity programme, which began in late 1988, domestic loans in China soared to a record yuan 248.6 bn in the first 11 months of the year, up from yuan 102bn a year ago.

Tokyo warned over cutting trade surplus

By Stefan Wagstyl in Tokyo

THE OECD has urged Japan to avoid interfering with free market forces in attempting to ease trade frictions with the US and other countries.

Instead, Japan should continue its efforts to create a more open economy by further deregulation, particularly in agriculture and in the land market, says the OECD in its annual report on Japan.

The OECD says that government efforts to reduce the trade surplus by giving subsidies for imports of manufactured goods "tend to distort nations' comparative advantage and are hard to justify on purely economic grounds".

The report acknowledges such actions help to quell protectionist sentiment abroad. But it says: "Any direct interventions in business activities by fixing official targets either for Japan's current surplus or for shares of foreign suppliers in specific markets interfere with the operation of market forces and should be resisted."

This is a reference, among other things, to the US-Japan Semiconductor Agreement, which set numerical targets for the share of the Japanese chip market to be won by foreign producers.

The OECD says it recognises the need for further changes in the management of the Japanese economy to ease market entry for foreign companies. But such measures need to work with, rather than against, market forces. The government should, for example, make greater use of the Antitrust Law, says the report.

The authors suggest previous attempts to interfere with market forces may already be causing distortions. Current downward pressure on the yen is largely due to the big flow of direct investment overseas, says the report. However, the decline in the yen (over the past year) has not boosted exports by as much as might have been expected.

"The persistence of widespread 'voluntary' restraints on Japanese exports would be an element suggesting that the present trade surplus may indeed be artificially low and foreign direct investment (to circumvent voluntary export restraints) artificially high, contributing to the weakness of the yen."

The OECD urges Japan to continue opening its markets to promote growth and open access.

Banks hold back on loans

By Robert Thomson in Tokyo

JAPAN'S money supply in November grew by 10 per cent from a year earlier, down from the 11.8 per cent increase in October, as banks restrained lending under pressure from the Bank of Japan and international capital adequacy requirements.

The growth was weaker than expected and will add weight to expectations of a cut early next year in the Official Discount Rate (ODR), which the central bank has lifted to 6 per cent from 2.5 per cent over the past year to curb excessive economic growth.

A Bank of Japan official said demand for funds remained strong and there were signs that instead of using commercial paper issues for large lot deposit investments, companies in need of funds were using the money for capital spending.

The 1.8 per cent month-on-month slowdown in growth, the largest since March 1974, was partly exaggerated by a change in pension payment dates from a year earlier, and by a sudden shift in funds from ordinary bank accounts to a special kind of high-yield, long-term account that falls outside the so-called M2 plus certificates of deposit classification.

Ershad inquiry team set up

By Reazuddin Ahmed in Dhaka

THE Bangladesh government has constituted a three-member inquiry committee to investigate the alleged corruption and abuse of power by General Hossain Mohammad Ershad, the ousted president.

The committee is headed by Justice Ansaruddin Ahmed, a judge of the supreme court. The committee will also probe corruption allegations against former ministers in Gen Ershad's cabinet and other government officers.

Gen Ershad is under protective custody. Only two ministers have been arrested; others are in hiding.

According to an official estimate, 63m people will vote in the parliamentary election billed for March 2.

Australian dollar sustains value

By Tim Blue in Sydney

THE Australian dollar has shrugged off a further easing in official interest rates.

The currency fell nearly half a cent to 76.2 US cents in foreign exchange trading in Sydney when the Reserve Bank of Australia cut official cash rates from 13 to 12 per cent. However, by the end of the day, the Australian dollar had recovered to 76.8 US cents.

Reserve Bank governor Bernie Fraser said that monetary policy on its own could not rectify Australia's economic problems. "But today's reduction in interest rates should provide some relief to viable businesses and encourage investment opportunities, without risking the hard won gains of inflation," he said.

He said that, given current and prospective developments in the Australian economy, including the improved outlook for inflation (now down to around 6 per cent a year), the Reserve Bank and the Government believed a further easing was appropriate.

Financial institutions picked up the Reserve Bank lead. The two biggest banks, the Commonwealth and Westpac, announced cuts of one percentage point in overdraft reference rates and housing mortgage rates respectively, while the New South Wales building society St George cut its variable housing mortgage rate from 15 to 14.4 per cent from January 1.

Mr Fraser said inflationary pressures were abating, with "practically all indicators pointing to smaller increases in prices and wages than we have seen for a long time. "This has been reflected in the financial markets, where yields on government bonds have fallen significantly in recognition of the improvement in inflationary prospects. At the same time, spending, production and employment are weak and likely to remain so for a while yet."

Ethiopian food accord

THE Ethiopian government and Eritrean rebels have agreed to reopen the rebel-held Red Sea port of Masawa for the first time in 10 months to take food aid to millions of drought victims, a United Nations relief agency said yesterday, Reuter reports from Nairobi.

Under the scheme a UN-flagged ship would ferry supplies to Masawa from Djibouti, further south on the Red Sea, early next month, the World Food Programme (WFP) said.

Masawa, the main port for Eritrea and the most efficient route for supplies to the drought-hit northern province, has been closed since it was captured last February by rebels of the Eritrean People's Liberation Front (EPLF).

The WFP statement said food delivered at Masawa would be taken to needy areas by UN trucks and divided 50-50 between government and rebel-held areas of Eritrea.

● Nearly 1.5m people in southern Angola are at risk from hunger, while the 300,000-400,000 residents of the Liberian capital of Monrovia are in urgent need of food, Save the Children, the British-based aid agency, said yesterday, Michael Holman writes.

The agency announced plans to send relief workers to Liberia and an expansion of its work in Angola's Huambo province.

Thais hold fragile political system together

Paul Taylor looks at the manoeuvring to give Bangkok a stable coalition government

THAILAND'S new coalition government led by General Chatichai Choonhaven, the prime minister, faces an uphill battle to convince the electorate, and foreign investors, that it is more than an interim administration of political convenience.

When he resigned two weeks ago, Gen Chatichai confronted dissension within his old cabinet, growing public discontent over allegations of influence peddling and steady pressure from senior military officers concerned about the loss of political influence.

Twenty-four hours later he was re-appointed prime minister and set about trying to form what he described as a more stable and "honest" regime. Late on Friday – the day a fortune teller reportedly consulted by Gen Chatichai pronounced the most auspicious day for government-making – the new Thai government, dubbed "Chatichai II" by the prime minister himself, was unveiled.

Out went the Democrats, the scandal-plagued Social Action Party and the Muan Chon party led by police Captain Chalerm Yubamrung, the controversial former minister in the Prime Minister's Office whose disputes with the military triggered off the last coalition's downfall.

In came the small Prachakorn Thai party and Solidarity, second biggest party in parliament after Gen Chatichai's Chart Thai party and until last week opponents of the government. They formed a five-party coalition with two smaller parties which were in the previous government.

With 227 MPs in the 357-seat House of Representatives (compared to 240 seats previously) Chatichai 2 has a comfortable but not overwhelming majority which in theory might survive the 18 months before scheduled elections. But there are deep internal divisions.

Several cabinet appointments have drawn heavy fire from the local press. Many in the new cabinet have little direct experience of their ministries and with a few exceptions are considered intellectual "lightweights," as one seasoned foreign businessman put it.

One exception is Dr Arthit Urairat, the new foreign minister. His business background suggests that foreign policy will remain aimed at turning Indochina from a war zone into a trading zone.

Perhaps the most controversial appointment was that of Mr Ban-harn Silapa-archa – a former interior minister – as finance minister. The financial community almost universally regretted his lack of experience in economic affairs, especially when the Thai economy faces a downturn and urgent fiscal and institutional reforms are needed.

Some solace was forthcoming last weekend with the news that Mr Chavalit Thanachanan, former Bank of Thailand governor, had been appointed deputy finance minister and is expected to preside over fiscal and monetary policy. Since it was criticism of the decision to raise interest rate ceilings that brought about the departure of Dr Virabongsa Ramangkura, the previous finance minister, this may be the hottest department in the government.

Another factor of critical importance to the domestic economy, and to foreign investors, will be the new cabinet's attitudes towards industrial and infrastructure projects which either have been agreed or are pending approval.

These include the Charoen Pokphan/British Telecom plan to upgrade Thailand's telephone service, the Hopewell Group's Bangkok elevated road and rail contract, the Skytrain project won by Lavalin of Canada and several petrochemical projects. Confidence in the new administration will be crucial to the funding of these new projects.

For the moment at least it is likely that the Chatichai II government will be given the benefit of the doubt. There is general agreement that he faced an acute dilemma before he resigned and was re-appointed. But the sometimes bizarre events of the past few weeks have served to highlight the underlying fragility of Thailand's political system.

First, although the military has seen its political muscle wither away in the face of a growing middle class closely allied to an ardently pro-business government, it can still exert pressure on a popularly elected civilian administration.

Second, the educated middle class and urban workers are increasingly fed up with political and financial corruption.

Third, despite Gen Chatichai's waning personal support, there is a political vacuum at the top which others, including General Chavalit Yongchaiyudh, a former deputy prime minister and defence minister and now head of his own military-backed party, are not yet ready to fill.

Gen Chatichai now faces a delicate political decision. He could battle on with his new coalition until elections in 1992. Or, as many now suspect, he could call general elections early next year, before the economic downturn begins to bite and before his political rivals can muster their forces

UK NEWS

THE FUTURE OF NORTHERN IRELAND

Latest UK initiative may end deadlock over talks

By Ralph Atkins

FRESH PLANS being developed by the government for starting formal talks on Northern Ireland's political future have won backing by Unionist leaders, reviving hopes that a year-old initiative could get off the ground.

Proposals discussed last week by Mr Peter Brooke, Northern Ireland Secretary, with Unionist leaders envisage negotiations starting early next year.

On the sensitive issue of the timing of the Irish government's entry, Mr Brooke would take an active "referee" role, but leave the decision largely to local political leaders involved in the first stage of talks.

The plans – so far still subject to modification – will be discussed with the Irish government within the next few weeks. Mr Brooke has repeatedly emphasised that any package has to be agreed by all participants but the success of his latest discussions with Unionists increases the pressure on Dublin not to be seen as resisting the tide.

Mr Brooke knows he still has a substantial way to go before talks can start. But, having previously said that he would "put up the shutters" if differences could not be resolved, his continuing efforts underlines his hopes for progress – if only at a slow pace.

Unionist optimism, particularly in the Democratic Unionist Party, grew substantially after a meeting last Thursday between Mr Brooke, Mr James Molyneaux, leader of the Ulster Unionist Party and the Rev Ian Paisley, DUP leader.

Under the plan discussed then, talks on internal government in the province would open in February between Northern Ireland's political leaders, including the mainly-Catholic Social Democratic and Labour Party. Dr Paisley has decided against a planned trip to India in February to be available if necessary.

Mr Brooke has steered away from earlier attempts to find a precise formula for determining when the Irish government would join for negotiations on relations between the two parts of Ireland and between London and Dublin.

Instead, Mr Brooke will play a "referee" role and make clear when he thinks Dublin should be brought in. Nothing would be decided on a devolved government until the whole package had been agreed and Unionists would emphasise their eagerness to move swiftly on to other areas of UK/Irish relations.

Since the summer, Mr Brooke's initiative has floundered over the timetable for negotiations that could replace the 1985 Anglo-Irish Agreement. Unionists say Dublin's role should be limited in talks on government inside Northern Ireland.

German retailer takes 19.5% stake in Harry Goodman's ILG

European investors eye lucrative air travel sector

By David Churchill, Leisure Industries Correspondent

WHEN Mr Harry Goodman became disenchanted with the London's financial community in 1987 and took his International Leisure Group tour operator and airline private, he suggested that 1991 would be "about the right time to come back."

Now he insists there is no prospect of this happening. "It is beyond my wildest dreams for us to come back to the market next year," he said yesterday. "I can't believe anyone would want to come to the market at present – and certainly not us. The end of 1992 would be the earliest we might consider it, and that's unlikely."

Mr Goodman was talking after this week's sale of a 19.5 per cent stake in ILG (or rather the privately-owned Hudson Place Investments which owns the company) to German retailer ASKO for an undisclosed sum.

This move may bring a respite in the speculation that has dogged ILG in recent months as a result of lost income due to the collapse of Exchange Travel, the hike in aviation fuel prices, and some unsavoury publicity about Mr Goodman himself.

Part of the speculation had also been caused by uncertainty over the intentions of the reclusive Swiss financier Mr Werner Rey, who has held a 49 per cent stake in Hudson Place for the past two years through his UK investment vehicle, Omnicorp.

"He's not the easiest man to get hold of and talk to about his intentions towards us," said Mr Goodman. "That couldn't help but lead to speculation."

Mr Rey's decision to reduce his exposure to ILG in the present climate is not as clear-cut as first appeared. Although 19.5 per cent of the shares have been sold to ASKO (they will be held by its subsidiary COMCO), the remaining 29.5 per cent interest was sold to Harpener, an industrial and financial holding company based in Dortmund, Germany. But Harpener is controlled by Mr Rey's Omni Holdings which took a stake of over 80 per cent in the company last year.

Mr Denis Strauss, director of the Omni Holdings London investment subsidiary Omnicorp, confirmed yesterday that Omni was still involved in ILG. "ASKO were very keen to get into the UK tour business and European scheduled airline network and we wanted to reduce our investment," he said.

"With the level of investment needed for airline expansion we might have had to put more money into Hudson Place (which owns ILG) and that would have taken us to over 50 per cent, which we didn't want," he added. "But we are confident in ILG's strategy of developing tour operating and scheduled airlines."

More interesting might be ASKO's plans for ILG. A number of German companies have shown interest over the past year in acquiring stakes in UK travel groups. The British consumer's growing desire to travel abroad – and further than most of their European counterparts – makes it an important and potentially lucrative market.

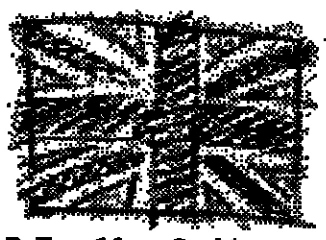
"They're certainly going to have their ideas about which way to develop," Mr Goodman admitted.

Air Europe, ILG's charter and scheduled airline operation which is the UK's second largest airline after British Airways, is the real attraction for foreign investors. With the battle for the North Atlantic air routes hotting up, spearheaded by US carriers United and American seeking to replace Pan Am and TWA, Air Europe's pan-European operations look attractive to an international airline seeking to use London as the 'hub' for continental destinations.

In the short-term, ILG's problem is how to cope with falling demand for package holidays – its bookings are down by about 10 per cent for next summer – and the uncertainty caused by the Gulf crisis.

Unlike the early 1980s, when Mr Goodman's flamboyant style was to spark off deep discounting to win market share, ILG in the 1990s adopts a more mature approach. "Our margins are not only holding up but improving because we're not discounting any more," he pointed out.

BRITAIN IN BRIEF



Nadir fails to raise £3.5m bail

Mr Asil Nadir, the chairman of Polly Peck International, has spent a second night in London's Wormwood Scrubs prison after his lawyers failed to raise the £3.5m bail – believed to be the largest figure set by a British court – fixed by Bow Street magistrates court on Monday.

The lawyers found sureties totalling £1.5m but were defeated by the mechanics of getting the additional £2m deposit the court required transferred to solicitors' accounts before the court's offices closed.

Mr Nadir has been in custody, first at Holborn police station and then in prison, since being arrested at Heathrow airport on Saturday.

He appeared at Bow Street on Monday facing 14 charges of theft of about £25m from PPI and a subsidiary and four of false accounting.

Polly Peck, Page 17

Public sector in the red

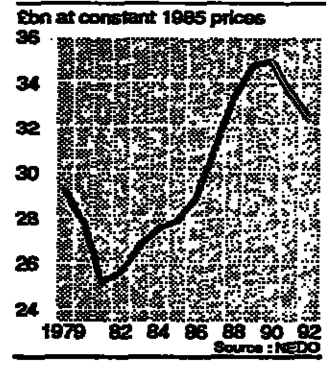
Public sector finances were heavily in the red last month, adding to expectations that the government may soon have to make new issues of gilt edged stock.

The Central Statistical Office reported that the public sector borrowing requirement was £1.32bn in November, more than twice the £500m median forecast of City analysts. Last month's deficit followed a £2.23bn surplus in October. It brought the public sector's accumulated deficit for the first eight months of the 1990-91 financial year to £4.5bn compared with a £2.9bn surplus in the same 1989-90 period.

The news raised fresh doubts over the government's autumn statement forecast of a £3bn public sector surplus in the current financial year.

Deep recession in construction

Construction output



The downturn in the construction industry is likely to be longer and deeper than previously expected, according to forecasts by the National Economic Development Office (Nedo) published yesterday.

The industry's output is expected to fall sharply during the next two years. Any benefit to the housebuilding market from falling interest rates will be modest, and will provide little compensation for the big recession expected in commercial property development.

Nedo now forecasts that UK output will fall by 4 per cent next year and by 3.5 per cent in 1992. It had previously forecast a recovery in 1992.

Economic boost for N Ireland

Northern Ireland's economy received a boost with confirmation that a new science and technology park is to be built at Londonderry which is expected to create 1,000 jobs over the next five years.

The announcement came as the government gave details of £466m expenditure on economic development in the Province next year.

Mr Richard Needham, the Province's Economy Minister, said the park would provide Londonderry with high class facilities for establishing high-technology business and research initiatives.

TV companies seek ad ban

The ITV companies have asked the Independent Television Commission for permission to refuse advertisements for BSkyB, the satellite television venture.

ITV executives fear that the company formed out of the merger of British Satellite Broadcasting and Mr Rupert Murdoch's Sky Television could become a much more formidable competitor than the former satellite rivals.

The ITC has taken legal advice and asked for a response from BSkyB, a consortium in which Pearson, publishers of the Financial Times has an 11 per cent stake.

Compensation for firemen

Four firemen who suffered psychological stress as a result of fighting the 1987 King's Cross fire have been awarded a total of £34,000 agreed High Court damages against London Underground.

It is believed to be the first time that members of the emergency services have received compensation mainly for psychological rather than physical injuries. The awards ranged between £4,000 and £13,000.

More regional health funding

All English health regions will receive at least 4 per cent growth in revenue allocations next year under financial arrangements announced by the government.

Mr William Waldegrave, health secretary, in sharing between health authorities a £1.48bn revenue increase

William Waldegrave:

for 1991-92 announced in last month's autumn statement, has decided that no region should receive less than 4 per cent growth. He said this was "in recognition of the major changes to be made next year" when the government's health reforms are implemented.

The health secretary's decision means that the government will be forced to slow down a proposed shift to a weighted capitation basis of health funding.

Rail safety

British Rail will fail to meet its own safety target of next April for reducing the working hours of all staff directly involved in operating trains, according to an internal letter from Mr John Welsby, BR chief executive.

BR has reduced the hours of its signals technicians to a maximum of 72 a week in the wake of the Clapham train crash of 1988, but Mr Welsby said BR would not meet a similar set of targets for other categories of operating staff.

There are about 40,000 other operating staff, including the drivers and guards.

Lifeline for theatre group

The world famous Royal Shakespeare Company was last night thrown a £1.3m financial lifeline to help secure its future.

But it has been told it must do more to match extra Arts Council funding in a bid to cut its crippling £3.3m deficit.

The RSC's basic annual grant has been increased by £475,000 to £6,520,000 but the extra cash injection – still to be ratified by Mr Timothy Renton, the arts minister – may have answered the company's pleas.

The RSC has been forced to close its two London theatres, the 1,100-seat Barbican and The Pit, for four months to reduce overheads, despite good box office returns.

Blaze damages envoy's home

Fire has swept through the French ambassador's home in west London just a fortnight after he moved out to allow refurbishment.

More than 100 firefighters tackled the blaze at the four-storey Regency mansion in Kensington Palace Gardens. No one was injured but Ambassador Vicomte Luc de La Barre de Nanteuil has been forced to move to a temporary address.

UK NEWS

Strike threat recedes on North Sea oil rigs

THE THREAT of a renewed wave of strikes early next year by construction and maintenance workers in the troubled North Sea offshore industry receded yesterday as unions claimed a breakthrough in their campaign for recognition, writes Diane Summers.

For the first time since a series of unofficial strikes during the summer, the employers' organisation, the Offshore Contractors Council (OCC), has agreed to meet the unions for formal talks on the issue.

An additional sign of peace also came yesterday as Shell Expro announced that, "as a gesture of goodwill", it would be lifting a ban on the employment of workers who had taken part in sit-ins on Shell platforms during the summer.

Now, in a letter to Mr Tom MacLean, chairman of the joint unions' offshore committee and a national officer of the AEU engineering union, the OCC has suggested a meeting on January 10 in London.

The employers pointed out in the letter that the talks could only cover construction and maintenance work on platforms. The discussions "should not be construed as an opportunity to discuss a formal agreement to cover all work offshore," the OCC stated.

Yesterday the OCC said it felt that "things had calmed down sufficiently" for talks to go ahead but it was disappointed that the unions appeared to be railroad the OCC.

The unions had been waging a campaign for a single "continental shelf" agreement to cover all offshore workers, including, for example, catering and drilling workers. It now appears, however, that they are prepared to drop this demand – at least in the short term.

Separately, offshore catering workers have renewed their threat of industrial action and accused the employers, the Catering Offshore Traders' Association, of reneging on a negotiated pay settlement.

The OCC's invitation to talks on recognition for construction and maintenance workers was announced by unions as they left the Department of Energy yesterday after discussions with Mr John Wakeham, energy secretary, on the implementation of the Cullen report on the Piper Alpha disaster.

Mr Wakeham agreed with unions that any victimisation of North Sea oil workers who complained about safety standards would be "intolerable".

HOMELESS IN BRITAIN

London to receive £15m for hostels

By John Authers

THE government yesterday revealed details of a £15m spending programme to ease the plight of homeless people in central London.

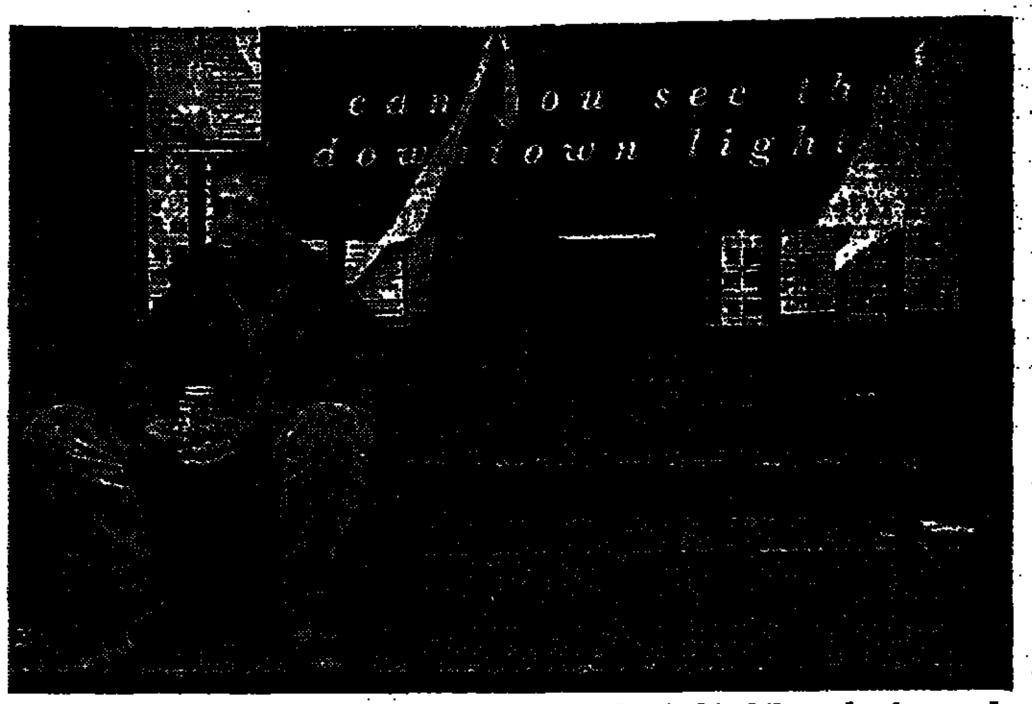
The plans announced by Sir George Young, the housing minister, are aimed at rehousing people now sleeping rough on the capital's streets.

Mr Nick Hardwick, director of Centrepoint Soho – the charity which operates an emergency shelter for young homeless people – is to be seconded to the Department of the Environment (DoE) to help implement the proposals, Sir George added.

The latest proposals aim to provide an extra 1,000 beds in London and are part of a three-year government commitment costing £96m. The issue was raised last week after Mr John Major, the prime minister, promised to tackle the problem of homelessness.

The £15m will be used to pay for 320 new hostel places in London, with a further 700 to be provided by housing associations for people moving on from temporary hostel accommodation.

The remaining £81m is to be allocated over the next two years to ease homeless problems outside London.



Down on the street: the government hopes to ease the plight of those sleeping rough

Charity workers welcomed yesterday's announcements, but called for a change in the structure of state benefits and for more action outside London. They also suggested that most of the spending outlined in yesterday's announcement was not part of a fresh initiative but had already been committed.

Shelter, the charity representing the country's homeless, yesterday said attention should not only be focused on central London but other parts of Britain.

It said children were sleeping in caves near Bristol in western England, and highlighted the case of one youngster in Bolton, in the north west, who built a shack in a field after failing to find a home.

Ms Sheila McKechnie, director of Shelter, said:

"While these proposals are extremely welcome, they are totally disproportionate to the size of the problem. Homelessness is not just a London problem. There are young people sleeping on the streets of every main town."

"None of this money is coming up here. It's just ridiculous."

A recent attempted census in Bristol suggested that around 500 people were sleeping rough. But Ms Sue Parsons, of Shelter's Bristol office, said such quotas were unreliable because many of the homeless were reluctant to take part in a census.

She suggested the measures taken in London would have little effect unless they were coupled with changes to the benefit system.

She cited the closure of mental hospitals and the introduction of the community charge, or poll tax, as policies which had aggravated the increase in the number of people sleeping rough.

Mr Hardwick, of Centrepoint Soho, said the problem did not rest solely with the department of social security, which arranges benefit payments to the unemployed.

He said: "For the initiative to work as fully as we would like, action is also required from other departments. Certainly I hope that we can get some changes or look at some of the issues around social security payments, look at what is happening for people with mental health problems – and a range of other issues that we can take on."

The London Housing Unit (LHU), which advises London councils on homelessness, accused the government of "dressing up an inadequate response to the issue of single homelessness by calling something new which is not new at all.

The LHU also doubted whether £15m would cover the extra 1,000 bed spaces which had been mooted by the DoE.

Commons told of 'disaster' in Amazonia

By John Hunt, Environment Correspondent

THE DESTRUCTION of the Brazilian rainforest is an "environmental disaster" but the rate of deforestation is not as great as some surveys have suggested according to the cross-party Commons Environment Select Committee.

The committee also expresses concern at slow progress in implementing the programme of scientific research on the rainforest which has been drawn up between the UK Overseas Development Administration and the Brazilian Government.

In a report published yesterday on its visit to Brazil the committee hopes the programme "does not founder through excessive internal administrative and regional difficulties."

The committee says the Brazilian National Institute for Space Research calculated by satellite analysis that 120,300 square miles of rainforest had been destroyed up to 1989, much less than the World Bank's figure of 230,000 square miles.

It also says a study for Friends of the Earth suggesting an annual rate for deforestation of 20,000 square miles had been overtaken by more sophisticated data from satellites showing that the correct figure was 9,000 square miles.

"It appears that the deforestation in Amazonia may not be as great as was previously thought" says the committee. "However, an annual loss of over 9,000 square miles of rainforest – an area roughly 20 per cent bigger than Wales – is in itself extremely serious."

It says that the Brazilian Government is firmly committed to environmental protection but faces a "Herculean task" in policing such a vast area.

A serious problem was posed by thousands of illegal gold-miners who had flooded into Amazonia, most of them penniless migrants trying to escape high unemployment.

"The situation was described to us as akin to that which existed in North America during the gold rushes 150 years ago when law and order in the Wild West was unenforceable or non-existent," says the report.

A Brazilian official told the committee; "They don't come for fun. The aim of the gold-miner is to become rich – or die."

Environment Committee, second report, Visit By The Committee To Brazil, HMSO, £11.90.

BUSINESS LAW

Insolvency administrators can use joint venture asset

GRIFFITHS AND ANOTHER v PROVINCIAL & CITY PROPERTY COMPANY AND ANOTHER
Chancery Division:
Mr Justice Scott:
November 22 1990

INSOLVENCY ADMINISTRATORS of a joint venture company have power to disclaim onerous contracts as between the company and the joint venturers if the true relationship was one of quasi-partnership in that the joint venturers, while protecting themselves from creditors by operating through the company, retained the joint venture's only asset in their own hands.

Mr Justice Scott so held on an application for directions by Mr Allan Griffiths and Mr Malcolm Shierson, administrators of P & C and R & T (Stockport) Ltd, a joint venture company set up by Provincial & City Property Co (PCP) and Rush & Tomkins Group plc (RT).

HIS LORDSHIP said that the business of the joint venture company was the development of a business park in Stockport, in four phases. The land belonged to Stockport Borough Council. The joint venturers were PCP and RT.

On January 24 1989 the council agreed to grant PCP a lease of the business park for 199 years. A £2.25m premium was to be paid for the lease, £56,000 of which was paid by PCP on signing the agreement.

The lease was dated June 28 1989. The parties were the council as lessor, PCP as lessee, and RT as guarantor. The agreement and lease together contained the joint venturers' obligations to the council, and vested the land in PCP.

The rights and obligations of the joint venturers *inter se* were dealt with by a joint venture agreement.

Their intention was that the company should be the corporate vehicle in the name of which the development would be carried out; and that they should jointly own and control the company.

Clause 1(i) of the joint venture agreement entitled PCP to act as "project co-ordinator of the development". By clause 3 the company undertook to do nothing unless both joint venturers agreed.

Clause 4(a) provided that the parties "shall seek to procure the novation of the agreement for lease and the lease in favour of the company ... to the intent that the company shall stand in the shoes of PCP ..."

By clause 5(h) the company was obliged to make payments to PCP in respect of increases in the value of the park over and above the value represented by the £2.25m premium.

Clause 15 provided: "Nothing in this agreement shall constitute or be deemed to constitute a partnership".

In about June 1989 a start was made on the development. It floundered.

The main contractor went into administrative receivership in April 1990. Subcontractors who had not been paid left the site. No work had been done since June.

The Co-operative Bank plc applied as unsecured creditor for an administration order in respect of the company. Administrative receivers were appointed by order dated June 15 1990, pursuant to section 8 of the Insolvency Act 1986.

The purposes of the appointment were (1) survival of the company and its undertaking as a going concern; and (2) a more advantageous realisation of its assets than would be effected on a winding-up.

There were unsecured liabilities totalling £5m. Unless and until some part of the development could be brought to completion the company had no realisable asset. The administration order was to provide a respite to enable the company to try and arrange finance to enable at least phase 1 to be completed.

With the creditors' approval the administrators negotiated with the bank. It was willing to advance further funds but required a legal charge over the lease as security.

The lease was vested in PCP. Before the company could grant the security it must procure the lease to be vested in itself.

Mr Leeming for the company contended that pursuant to clause 4(a) of the joint venture agreement, the company was entitled to call on PCP to transfer the lease.

Mr Moss for PCP contended that since the company did not propose to perform and was not in a position to perform its obligations to PCP under the joint venture agreement, it was not entitled to call for performance of PCP's obligations under clause 4(a).

Also, PCP objected to the administrators' intention to dispense with its services as project co-ordinator. It said the company was bound by the joint venture agreement and could not simply ignore PCP's contractual rights. A liquidator could disclaim onerous contracts; an administrator had no such power.

Mr Moss drew attention to the difference between an administration order and a winding-up order. That was a valid point. In *Re Atlantic Computer Systems (FT, August 1 1990)* Lord Justice Nicholls said: "In contrast to winding-up, an administration is intended to be only an interim and temporary regime ... a breathing space ... to give the administrator time to ... implement ... proposals approved by the creditors".

In general an administration order did not authorise administrators to break the company's contracts. There was no power of disclaimer such as was available to liquidators.

But whether that general principle applied to the joint venture agreement in the present case was another matter.

The agreement had many of the indicia of partnership. If the true nature of the relationship was one of partnership, insolvency of the joint venture would be a ground for dissolution, receivers and managers would probably be appointed, and the assets of which they would take control would include the leasehold interest.

As an alternative to partnership, PCP and RT could have entrusted their joint venture wholly to the company, with the company's Articles providing management control for each joint venturer, and joint venture assets vesting in the company.

If the joint venture had become insolvent, administrators would have had full control over assets including the lease, and would not have been bound by the Articles regarding management rights (see section 14(4) of the Act).

The scheme of the joint venture agreement was an amalgam of the two alternatives. The joint venture was to be carried out by a limited liability company while the joint venturers were protected from joint venture creditors. But the main asset of the joint venture, the lease, was not vested in the company. Instead it was retained in the name of PCP one of the joint venturers.

In such a case, the joint venturers' insistence on their rights under the joint venture agreement in order to control the administrators' attempts to salvage the development was objectionable.

The administrators were appointed to recommence development so that at least phase 1 might be completed and realised for the benefit of creditors. Neither PCP nor RT had any equity to stand in their way. The manner in which they carried out their task was subject to control by the court. PCP could apply to the court and ventilate pragmatic objections to their proposals, but it could not object simply on the ground that the proposals were inconsistent with its rights under the joint venture agreement.

The reasons for that conclusion were: (1) that in view of the insolvency of the joint venture, PCP, as at least a quasi-partner, had no equity to obtain specific performance of its contractual quasi-partnership rights against the company; (2) that to enforce the management and project co-ordinator provisions against the administrators would be inconsistent with the spirit and purpose of section 14(4) of the Act; (3) that insolvency of the joint venture and the company had frustrated the purpose of the joint venture agreement.

As to whether PCP could decline to transfer the lease, the question was one of construction of clause 4(a). The company had a beneficial interest in the lease, to take effect in equity immediately. Clause 4(a) contained an express declaration of trust; and any other construction would leave PCP in a position of preferred creditor of the company.

The administrators were therefore entitled, if they could procure a release of PCP from its lease obligations to the council, to have the lease vested in the company. PCP and RT's rights under the joint venture agreement would not be specifically enforced against the company, so long as it remained subject to the administration order.

For the administrators: Ian Leeming QC and Ian Little (Slater Heelis, Manchester)
For PCP and RT group: Gabriel Moss QC and Robin Dicker (Nabarro Nathanson).
For the bank: Brendan Hegarty (Addleshaw & Sons, Manchester).

Rachel Davies
Barrister

BUSINESS AND THE ENVIRONMENT

Christmas tree owners see the light

SINCE the 19th century, when Christmas trees were first brought indoors to adorn Victorian sitting rooms, they have been thrown out with the seasonal detritus of mangled wrapping paper and turkey bones. In the US, their traditional resting place was the landfill.

But in this age of shrinking landfill space and growing concern about solid waste disposal, environmentalists are promoting recycling for the 36m Christmas trees that are expected to be sold in the US this year.

There are many uses for a dead Christmas tree. In New York city, the department of sanitation grinds them up into wood chips, which are offered free to urban gardeners to use as mulch for fertiliser and ground cover. The programme, in its second year, is extremely convenient for the would-be conservationist.

"Leave your tree out for collection at curbside as you normally would," says Mr Brendan Sexton, Commissioner, "but remember to remove all ornaments, lights, stands and other decorations."

Even if the wood chips ultimately end up in the landfill, they take up significantly less space and decompose more quickly than a full-size tree.

The commercial sector is also starting to promote tree recycling. IKEA, the Swedish retail chain whose US stores sell many thousands of Christmas trees each year, offers customers the option of renting the trees.

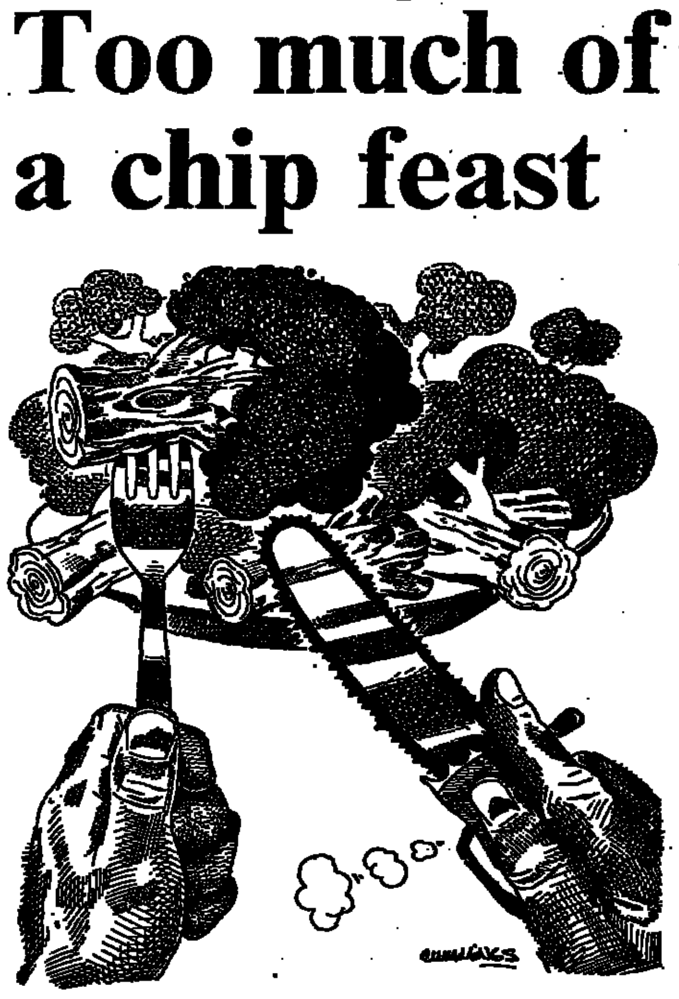
On the Texas Gulf Coast, a number of local communities are trying to fight beach erosion by using piled-up Christmas trees to form the foundation for sand dunes. In the New Orleans area, the trees have been used as underwater dykes to help stem the erosion of local marshes.

Even living trees can serve a purpose. In one Californian town, the authorities will accept nursery-grown potted trees and replant them in treeless centres. Civic-minded Citizens can even claim their trees as charitable donations for tax deductions, provided the trees are tagged with the donor's name and address and the tree's cost.

Karen Zagor

Leslie Crawford explains moves to safeguard Chile's forests against excessive exploitation

Too much of a chip feast



The towering hills beside the southern Chilean port of Puerto Montt are, on closer inspection, made of wood chips. In a few days they will disappear into the vaults of a Japanese freighter, only to be replaced by more hills for export.

Puerto Montt's artificial landscape is the product of an industry that did not exist five years ago. The business is dominated by Japanese corporations such as Mitsubishi, C-Itoh and Daio Papers, which could not resist the temptation to exploit Chile's vast temperate forests and open door policy towards foreign investors.

The voraciousness with which the Japanese have plundered Chile's virgin forests – exporting almost 2m tonnes of wood chips last year – has provoked a national outcry. The country's growing environmentalist lobby is concerned that protected species, such as the Araucaria pine which can live up to 2,000 years, are being shredded in seconds.

The sawmills have also drawn the attention of Chile's Forestry Corporation, Conaf. "The problem is that the Japanese buy logs from small landowners, who are cashing in on this lucrative new business with scant regard to its environmental impact," says Juan Moya, a forestry engineer at Conaf.

In theory, the felling of native woods requires the prior approval of Conaf, but Moya says his corporation does not have the manpower to police Chile's 7m hectares of virgin forest. He estimates that more than one-third of the wood that reaches the sawmills is felled illegally.

The Japanese companies will not give interviews to foreign journalists or answer written questions on the ecological impact of their activities. But they are gradually relenting under a barrage of adverse publicity.

Conaf recently extracted a "policing tax" of $1 per tonne from the sawmills that will help the corporation step up its war against clandestine fellings. Part of this money may be invested in a satellite surveillance system.

The sawmills have also agreed to hand over information on their suppliers.

Conaf is currently drafting new regulations for the "rational and controlled" use of virgin forests. "With responsible management, there is no reason why native forests should not be exploited commercially," says Moya. He believes that they could even be given a new lease of life with the selective felling of diseased or over-mature trees and modern conservation techniques.

However, the forthcoming regulations have Chile's small landowners up in arms. Guillermo Guell, president of Corma, the private sector's wood corporation, regards any new restriction on the forestry business as an unjustified attack on private property. "We live off the forest, so we don't need anybody to tell us how to look after it – least of all trendy ecologists sitting in Santiago apartments," he says.

Guell blames the controversy over the wood chip business on environmental groups, which he refers to as "European and American neo-colonialists; how dare they come to tell us what to do with our forests."

Yet with the exception of the Japanese, multinationals investing in Chile's booming forestry and cellulose industry have chosen not to touch native forests. They have either bought, or introduced, "man-made" plantations of radiata pine and eucalyptus.

"Virgin forests are a no-go area. It is just too hot a political issue," says Alberto Rubinstein, the head of Shell's forestry division.

Jose Luis Lopez, the representative of Carter Holt Harvey's interests in Chile, says: "We only use man-made forests. They are more cost-efficient and we believe in the conservation of native species."

Stora, Europe's biggest paper and pulp manufacturer, is currently investing in radiata pine plantations in southern Chile which will eventually supply a planned 450,000 tonnes per year cellulose plant. The total investment, in a joint venture with Chile's Celulosa Arauco, could reach $1.2bn.

"Stora will not go near native forests," says Gustavo Romero, the company's general manager in Chile. "It is too dangerous to tamper with such a fundamental part of our ecosystem."

Carter Holt Harvey, Shell and Stora have invested over $1.4bn in Chilean forestry over the past five years – buying plantations, building sawmills and cellulose plants. Chile's unbeatable comparative advantages for growing radiata pine, and the government's generous reforestation incentives, have created this foreign investment surge. Exports of timber, cellulose, furniture and wood chips now total $800m a year, and are are set to double by the turn of the century.

Simpson Paper of the US is constructing a $587m pulp mill in association with Chile's largest paper manufacturer, the Compañia Manufacturera de Papeles y Cartones. Fletcher Challenge of New Zealand and Pathfinder Investments of the US are also in Chile.

The most recent arrival is Switzerland's Attisholz Holdings, which wants to build a $90m kraft paper mill in the south.

All have pledged to incorporate the latest environment-friendly technology in the treatment of pulp mill effluents.

The magnitude of their investments is another factor that singles them out from the Japanese. "Japan may be Chile's second biggest trading partner," says Lopez, "but they have few investments in Chile." It only takes between $5m and $13m to set up a sawmill, and the export of wood chips doubles the return on the original investment in under a year.

Lopez is worried that the unchecked growth of wood chip exports could eventually tarnish the image of the forestry industry as a whole. But Rubinstein sees some positive developments in the behaviour of Japanese corporations. "Mitsubishi is beginning to buy eucalyptus plantations," he says.

Daio Papers recently announced a 10-year investment programme to reforest 250,000 hectares with eucalyptus and build a pulp mill and wood chip plant. Rubinstein is heartened by their decision to invest in renewable natural resources. "It shows they are finally responding to environmental concerns," he says.

Miners dig deep to give birds a safer passage

Kenneth Gooding on Echo Bay's $10m bill to preserve wildlife

THE cost so far for attempts to prevent birds being killed at the McCoy/Cove gold mine near Battle Mountain in Nevada is about US$10m. Echo Bay Mines, the owner, has also paid a $250,000 fine and agreed to contribute a further $250,000 to wildlife habitat and propagation projects.

One thousand and one birds have died by drinking from the mine's waste water pond since McCoy/Cove started up in June last year. Echo Bay can be that precise because the US Migratory Bird Treaty Act makes it illegal for any company or mine to kill migrating water fowl and every death has to be reported.

Even though Echo Bay made great efforts to prevent birds being killed it still had to pay one of the stiffest fines ever levied against a mining company. In Nevada, a state credited with usually taking a benevolent approach to mining and miners.

Echo Bay tried to keep the birds away by stringing silver flags across the pond, to no avail. It attempted to frighten the birds away by using remote-controlled boats. Cannons were fired at regular intervals, but still the birds arrived. Mine staff even resorted to chasing the birds across the pond on air-propelled swamp buggies.

The company was advised that loud music would keep birds off the pond. "But a couple of ducks started nesting on the rafts we put on the pond to carry the loudspeakers," says John Zigarlick, Echo Bay's president.

Echo Bay is by no means the only mining company to suffer from this problem, but it seems to have invested more time and money than most to find a solution.

The mining method which caused the difficulties is called heap leaching. This is a process in which ore is placed in a heap on an impermeable pad. Then a weak cyanide solution is sprinkled over the heap and collected at the bottom after percolating through the ore and dissolving out most of the gold. This very low-cost process has enabled gold to be won from rock containing very little of the precious metal – typically well under one ounce of gold in every tonne of ore – and contributed to the tremendous upsurge of gold mining activity in Australia as well as North America in the 1980s.

But tailings (waste), discharged into ponds after the gold has been separated from the solution, still contains cyanide which takes some time to lose its toxicity in the sunlight. At the same time, many of the mines using heap leaching to win their gold are, like McCoy/Cove, in desert areas. As Echo Bay learned to its cost, when birds fly in from the desert, there is little that can be done to stop them having a drink.

The McCoy/Cove tailings pond covers an area of 145 hectars (equivalent to the combined size of 200 soccer pitches) so putting a narrow-mesh net

'The first snowfall of the Nevada winter would have broken the net'

over it would have been difficult and "the first snowfall of the Nevada winter would have broken the net," suggests Mr Bob Calman, Echo Bay's chairman.

His company ultimately solved the difficulty by installing a treatment plant which reduces the amount of cyanide in the water dumped in the tailings pond. "There is now less cyanide in the McCoy/Cove tailings than in British drinking water," Mr Calman boasts.

The treatment plant was built at the cost of nearly $3m under licence from Inco, the world's largest nickel producer, which launched the so-called SO2 concept in 1982. The system works by oxidising the residual cyanide in solution into cyanate, a chemical much less toxic.

More than 30 Inco SO2 facilities have been operating in Canada for some years and there are four in the US, so the technology is tried and tested. "The capital cost was trivial and it was a mistake not to put in in at the outset," admits Mr Zigarlick.

He estimates that Echo Bay spent about $6m on the other, unsuccessful "quick fix" solutions. Even to a company the size of Echo Bay, which is the fourth-largest North American gold producer in terms of output – which will be well over 800,000 ounces this year – this is not so trivial.

Also, McCoy/Cove's mill had to be shut down for three weeks while the Inco plant was installed. This caused the mine's gold output in the third quarter of this year to fall by 24,165 troy ounces to 58,799 ounces. Consequently, the mine's cash production costs jumped by nearly $100 an ounce to $291 an ounce in the quarter.

The Inco treatment also adds about $10 an ounce to the cost of producing gold at the mine, but Mr Calman says this will be more than compensated for by the fact that spending on "temporary fixes" to keep birds off the pond is no longer needed. Most important, after it became clear that birds were dying in relatively large numbers, the company switched to a weaker-than-usual cyanide solution. Now the treatment plant is in operation McCoy/Cove has returned to a full-strength solution which should boost the recovery of gold from the ore from 82 per cent to 90 per cent.

There are many miners who would maintain that $10m to save the lives of a few birds is a waste of resources and an example of environmentalist overkill. But Mr Calman does not complain. "The law is the law and is there to be obeyed," he says. Then, after some consideration, he adds: "Mind you, I thought about what it had cost us when I was watching a television programme which mentioned that 283m turkeys will be killed so that the US could celebrate Thanksgiving Day in the traditional way."

Are there any lessons for non-mining companies to learn from Echo Bay's misfortunes? Mr Calman believes there is one important thing to be learned: consultants don't have all the right answers. He says: "Our consultants told us that we would have no problems with migrating birds because McCoy/Cove was under the flight paths. The consultants were wrong and we were wrong not to check further ourselves."

CONTRACTS & TENDERS

INVITATION FOR BIDS (IFB)
Date of Issuance : 24.12.1990
Loan No : 2602 TU
Order No : ISB/RH-9

1. The TURKISH ELECTRICITY AUTHORITY (TEK) has received a loan from the Power System Operation Assistance Project Fund of the World Bank (Loan No: 2602- TU) in various currencies towards the cost of Thermal Power Plants Rehabilitation Project and it is intended that part of the proceeds of this loan will be applied to eligible payments under the Contract(s) for which this Invitation for Bids is issued.

2. The TURKISH ELECTRICITY AUTHORITY (TEK) now invites sealed Bids from eligible Bidders for furnishing of coal Sampling System for Seyitomer Power Plant.

3. Interested eligible bidders may obtain further information from and inspect the Bidding Documents at the Office of:

TURKISH ELECTRICITY AUTHORITY General Management TICARI ISLER DAIRESI BASKANLIGI, ITHALAT MUDURLUGU

Inonu Bulvari No: 27 Kat:1
Bahcelievler - Son Durak
Ankara - TURKEY

Phone: (90) (4) 2126915/3254
Telex: 42245 tek tr
Fax: 90-4-2138870

4. A complete set of Bidding Documents may be purchased by any interested eligible Bidder on the submission of a written application to the

TURKISH ELECTRICITY AUTHORITY
General Management
Ticari Isler Dairesi
Baskanligi
Inönü Bulvari No 27 Kat 1
Bahcelievler - Son Durak
Ankara - TURKEY
and upon payment of a non-refundable fee of 100 US Dollars or 280,000 TL at the following address:

TURKISH ELECTRICITY AUTHORITY
General Management
Muhasebe Dairesi Baskanligi
Inönü Bulvari No: 27 Kat 4
Bahcelievler - Son Durak
Ankara - TURKEY

Those Bids submitted by the Bidders who did not purchase the Bidding Document shall be rejected.

5. All Bids must be accompanied by a Bid security of not less than 3% (three percent) of the bid price and must be delivered to the following address:

TURKISH ELECTRICITY AUTHORITY
General Management
Ticari Isler Daire
Baskanligi
Inönü Bulvari No: 27 Kat 1
Bahcelievler - Son Durak
Ankara - TURKEY

on or before 12.00 hours on 14.2.1991 and the bis will be opened at 14.00 hours on the same date at the below mentioned address.

Bids will be accepted for the total quantity but no bid will be for any lesser number of units than specified.

6. Bids will be opened in the presence of Bidders' representatives who choose to attend at the following address:

TURKISH ELECTRICITY AUTHORITY
General Management
Ihale ve Satin Alma
Komisyonu Baskanligi
Inonu Bulvari No: 27
A Block Zemin Kat
Bahcelievler - Son Durak
Ankara - TURKEY

LEGAL NOTICES

No. 008820 of 1990
IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION
IN THE MATTER OF IB FINANCE (UK) PLC
- and -
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice, Chancery Division dated 7th December 1990 confirming the reduction of the capital of the above named Company from US $ 5,000,000 to [illegible] and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above mentioned Act were registered by the Registrar of Companies on 12th December 1990. [illegible]

Dated the 13th day of December 1990.

Clifford Chance
Royex House
Aldermanbury Square
London EC2V 7LD

Ref: KO/RWC

Solicitors of the Company

INSOLVENCY ACT 1986
NOTICE OF MEETING IN ADMINISTRATION PROCEEDINGS
NYCKELN FINANCE COMPANY LIMITED - JOINT ADMINISTRATORS APPOINTED

[illegible]

Date 30 November 1990

M G WITHALL
JOINT ADMINISTRATOR

LIBRA BANK PLC
(In Members' Voluntary Liquidation)
(Incorporated in England)

[illegible]

Dated: 7th December 1990

A.J. McMahon
G.T.R. Hayward

THE HIGH COURT
1990 No. [illegible]
IN THE MATTER OF IRISH LIFE ASSURANCE (Rescue) LIMITED
- AND IN THE MATTER OF THE ASSURANCE COMPANIES ACT 1909 AND THE INSURANCE ACTS 1909 - 1989

NOTICE

[illegible]

WILLIAM FRY
Solicitors for Irish Life Assurance plc.
Fitzwilton House
Wilton Place
Dublin 2

COMPANY NOTICES

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDR'S) IN PIONEER ELECTRONIC CORPORATION

[illegible]

Bank of Tokyo International Limited (London Depositary)

19th December 1990

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RECRUITMENT

JOBS: Clues sought to mystery of Englishmen who found themselves in unexpected careers

Case of the backsliding Barbary pirates

DO any readers know of a place in England, about 250 miles from London and probably near the sea, which was once called Milbrue or something very similar? If so, they could help to shed light on one of the most intriguing career puzzles the Jobs column has ever come across.

I learned of the mystery, which concerns how two long dead Englishmen came to take up work they could hardly have foreseen, from historian Professor Bartolomé Bennassar of Toulouse University. Around the seventeenth century, he says, people from Christian nations going by ship through the Mediterranean took the risk of being captured by Barbary pirates. When that occurred, they had two options.

One was to eke out their lives as slaves, the men usually chained to the oars of galleys. The other was to become Muslims in which case, given talent and hard work, they could reach high positions in the remarkably open Middle East society of the time. Several such converts became viziers, generals, admirals and the like.

The trouble was that, if they happened to be re-captured by Christian forces, they were doomed as heretic renegades unless they could persuade the Inquisition that their conversion had been forcible and they had stayed true to their first faith.

Professor Bennassar and his wife have studied records which the Inquisition kept of the interrogation of 1,550 suspect renegades. Among them were two Englishmen who had turned Muslim and thrown in their lot with the Barbary pirates that captured them, only to fall into Christian hands when a later raid misfired. They were John Martin and James Larman (or Lormond or Sarman), both sailors originally from "Milbrue".

Since the records state that it was 200-300 miles from London, the professor conjectured it might be present-day Middlesborough. But the Tees-side town was built virtually from scratch in the 1830s on the site of a hamlet of 40 people, and the local Dorman Museum says there's no evidence that the place was ever called Milbrue.

Can any of you suggest more likely candidates, please? If so, I'll report on them in the new year as well as forwarding them to Toulouse.

Carousal costs

HEREUNDER – for the second Christmas in succession – appears the Jobs column's guide to the cost of seasonal carousing in various international centres. The figures have been generously provided by the Reward pay-and-job-conditions consultancy, of Stone in Staffordshire.

As some readers at least may need no reminding, the price of a thick head is not limited to taking same on. Due reckoning must also be made of the expense of trying to shrug it off. Hence the layout of the table, in which overseas currencies have been turned into sterling at the exchange rates prevailing in late September.

THE PRICE OF OVER-INDULGENCE AROUND THE WORLD

City	1 litre Scotch £	1 litre Vodka £	*Average on-cost* £	36 Alka Seltzer £	100 Aspirin £	200g Coffee £	*Average off-cost* £	Average full cost £
Helsinki	35.03	36.08	*35.56*	3.53	3.59	4.90	*4.01*	39.57
Stockholm	29.42	23.48	*26.45*	2.13	3.78	4.72	*3.54*	29.99
Copenhagen	25.13	18.89	*22.01*	2.28	6.54	3.72	*4.18*	26.19
Singapore	15.42	19.09	*17.26*	3.40	4.24	2.73	*3.46*	20.72
Cairo	21.23	14.33	*17.78*	–	0.23	4.07	*2.15*	19.93
Tokyo	14.56	10.92	*12.74*	–	8.44	3.23	*5.84*	18.58
Sydney	13.06	11.49	*12.28*	3.03	3.36	2.99	*3.13*	15.41
London	12.99	11.79	*12.39*	3.01	2.28	2.67	*2.65*	15.04
Vienna	13.67	6.85	*10.26*	5.58	4.56	4.14	*4.76*	15.02
Frankfurt	10.39	6.73	*8.56*	5.83	6.97	5.15	*5.98*	14.54
Brussels	12.50	9.98	*11.24*	2.87	2.85	3.36	*3.03*	14.27
Moscow	11.48	8.83	*10.16*	2.33	2.58	5.00	*3.30*	13.46
Amsterdam	12.37	8.24	*10.31*	3.97	1.38	2.97	*2.77*	13.08
Paris	10.48	8.62	*9.55*	3.31	3.08	3.24	*3.21*	12.76
Lisbon	8.85	7.17	*8.01*	3.65	4.91	4.01	*4.19*	12.20
Hong Kong	10.28	8.60	*9.44*	2.69	3.14	1.93	*2.59*	12.03
Madrid	8.84	5.39	*7.12*	3.41	5.32	2.86	*3.86*	10.98
Athens	8.43	5.88	*7.16*	–	1.71	2.86	*2.29*	9.45

The first three columns of figures give the approximate "on-cost": the local prices of a litre each of whisky and of vodka, followed by the average across both. The next four columns do likewise for the "off-cost": three dozen Alka Seltzers (Reward apparently could not find any to buy in Cairo, Tokyo or Athens), 100 aspirin tablets, and 200 grams of coffee, again averaged out. The on and off components are then added to give the total cost.

As may be seen, Helsinki is the most punitive city, almost £10 a thrash dearer than second-placed Stockholm and over four times more expensive than Athens, the boozer's best buy. The best balanced is Frankfurt where the cost of recovering is 70 per cent of the price of needing to.

Business getter

THENCE to headhunter Vivian Lawrence of the Arlington Consultancy who seeks a manager with success in market-expansion for the London-based branch of an eight-year-old American computer services company with a turnover of £50m worldwide. Since he may not name his client, he promises to honour applicants' requests not to be identified to the employer at this stage of the proceedings.

The prime task is to increase finance-sector demand for the company's software expertise, with particular emphasis on building societies and insurance concerns.

Candidates must have extensive experience of the information technology business, preferably in consultancy work, coupled with demonstrable ability to lead a team. No less important are polished sales skills, honed by negotiating at top corporate levels.

The appointment is at divisional board level, and salary plus results-related bonus is expected to be about £75,000. "Big company" perks, which I presume include a company car.

Mr Lawrence would rather have written inquiries. His address is Canterbury House, 2-6 Sydenham Road, Croydon CR0 9XE; fax 081-681 2732. But potential candidates really in haste can telephone him on 081-681 8185.

That said, I wish you all the blessings of the season and hope we'll meet again on January 9.

Michael Dixon

The biggest winners in Guinness's $1bn takeover last month of Spain's biggest brewer, Cruzcampo, were the two investment banks involved. Chase Manhattan, for Guinness, replaced some of the shine it has lost recently with its decision to pull out of retail banking in Spain. And Goldman Sachs, for Cruzcampo, finally got it right in a big way in Spain following its part in the messy failure last year of the attempt to merge Banco Espanol de Credito (Banesto) with Banco Central.

But the Cruzcampo sale is more than just another sharp deal. It is also another nail in the coffin of big family businesses in Spain which, until the mid-1980s, looked like defying the rot that had earlier beset their west German counterparts. The surviving Osborne, Delgado and Lafite families in Cruzcampo, seduced by an impossibly attractive offer, are packing up and leaving.

Family businesses are the backbone of Spanish industry, employing more than 85 per cent of the country's workforce. While their products are often technically excellent, the companies themselves are famously badly run – marketing is non-existent and finances, where they exist separately from the family kitty, seldom reflect the actual state of the business.

Once protected from foreign competition – along with everything else in Spain – during Franco's dictatorship, families are feeling the chill winds now of real competition, financial transparency, and fratricidal tensions as the monies on offer strain even the strongest emotional bonds.

The departure of families from productive business has become an exodus since the recent wave of foreign acquisitions began in 1986, the year Madrid joined the European Community. The Cruzcampo purchase proves that not even the slowdown in the economy is putting off foreign investors.

What counts in Spain is not the state of the economy nor the prospect of immediate profit. Foreign buyers come here for market share. The most recent example of that was the purchase in October of 45 per cent of Spain's largest producer of steel sections, Jose Maria Aristrain, by British Steel for $220m, after it became clear that the late Mr Aristrain's children did not have the stomach for managing the business.

The absence of a marketing tradition in Spain means that foreign companies like Guinness have assumed (not always correctly) that they can do better with the assets they buy and have been willing to pay for sales potential.

"The temptation to sell in the last three or four years has never been greater," says Anthony Pralle of Boston Consulting in Madrid. "Demand has pumped up prices to ridiculous levels."

Spanish family businesses

Chill winds fan the flames

Competition from other European Community companies and stricter regulation have opened up divisions among owners of private firms. Peter Bruce reports on fratricidal tensions which have led to a share-out of the spoils

If purchase price has been the main factor, tax is becoming its constant companion. Some audits by foreign buyers recently have turned up more than 20 years of outright tax evasion.

And the families are only now coming to terms with the real horror of belonging to the EC – in the financial year ending next June, every Spanish company, for the first time ever, is going to have to register properly audited and public accounts.

And the auditors are legally obliged now to report tax arrears. It promises to be a painful process. "In most cases they have never been audited at all," says a long-suffering senior accountant in Madrid. "You always find unpaid taxes."

As the Spanish revenue service becomes more efficient the choice between waiting for a knock on the door or quietly selling to a rich foreigner who is prepared to assume responsibilities – even at a price – is an easy one. Efforts by the stock markets to attract new issues from family business have also largely failed because of the financial transparency required.

But many families tear themselves apart – often in public – as well, which makes them easier targets for buyers. Rapid modernisation and the collapse of the traditional catholic values that apparently held Francoist Spain together have damaged family ties across the land.

Once disciplined and caring Spanish clans have become flammable and brittle in the pursuit of money. Where young west Germans turned their backs on their fathers' businesses, Spanish family members have begun to fight for pieces of the paternal action.

Not long ago Juan Gomez Cuetara, founder of the country's biggest biscuit producer, which bears his name, felt himself driven to go to court to force his squabbling children to return the shares they had inherited. Gomez Cuetara is 90 years old.

Few people will recognise the symptoms of decay in a Spanish family business quicker than Charles Burdett, an Anglo-Spaniard and chairman of the flourishing Hispano Suiza industrial holding group in Madrid. Burdett has bought four family businesses in four years.

Last February, he bought Eurobag, Spain's biggest supplier of chic carrier bags to upmarket boutiques and shops. The founder's three sons had joined him in management, but he also had four daughters, each of them married. They and their husbands, excluded from the business, began to pester him about their financial positions and to suggest that family harmony might best be achieved by early delivery of their inheritance. Burdett had seen it all before.

"The father normally goes to the family lawyer and says 'What do I do?'" The lawyer says sell, which is usually the beginning of an elaborate ritual in which the seller does his best not to concede that he wants to sell.

"The presumption is that if the business is for sale you're going to knock hell out of the price," says Burdett. "The lawyer comes to see you, and you talk about collaboration or something. Maybe you go to the factory on some pretext or other. Anything but as a buyer. The owner does everything but *dar la cara* (show his face)."

Eventually, he says, "there might be a meeting in a bar" with the owner, "and a hastily constructed balance sheet that has nothing to do with the balance sheet you finally get when you buy the company. You negotiate, sadly, on the basis that he is going to be asking for double what the company is worth. Ten years ago he would have asked for 20 times. People have become more realistic."

"They are great salesmen and they can be very persuasive," says Burdett of the Spanish. Guinness, which bought Cruzcampo on the confident promise from its owners that per capita beer consumption in Spain will double to German levels, will appreciate how the smooth talk works.

The Cruzcampo price was exceptional, but family disunity, greed, incompetence and fear of the taxman will probably continue to stimulate mergers and acquisitions activity in Spain for some time to come. There is no end of targets and no end of investment bankers and individual operators in the field. If anything, the problem is finding willing buyers as recession grips Britain and the US.

Camp was a good example. By 1989 it was Spain's largest independent manufacturer of detergents, with up to 25 per cent of the Spanish market despite heavy multinational competition. It was owned by three Catalan brothers and the children of a fourth who had died in an accident.

Camp was in financial trouble in the mid-1980s and the brothers hired a chemical engineer, Manuel Luque, to run the company. Luque turned out to be more than a chemist, though, and launched Spain's most successful-ever TV campaign, featuring himself, to drag the company from loss to profit in two years. But Luque's fame irritated two of the brothers, who tried to remove him. The third, senior, Camp brother finally joined them. The children of the dead brother backed Luque and the fight for power in the company attracted multinational buyers like moths to a candle.

Procter & Gamble actually paid a deposit for Camp but was dropped by the brothers at the very last moment after a $300m offer from Benkiser of west Germany. For a company that could not sell 75 per cent of itself to a Japanese buyer in 1986 for $17m, this says a lot about the pulling power of public family in-fighting, at least in Spain.

In Germany, the internecine family squabbles at Dornier, the family aerospace group, and Knorr Bremse, the locomotive braking systems group, led to both being snapped up cheaply by rivals.

At Benkiser prices, it is little wonder families are rushing to sell out. Although the top rate of capital gains tax in Spain is still 56 per cent (and payable as part of income tax), family shareholders have usually been able to get off lightly.

Until the end of last year, sellers could issue rights in favour of the buyer and never pay capital gains until the original shares were sold. The smart seller would frame the originals and hang them on their walls. The Revilla sausage empire and the Antibioticos bulk chemicals group were both sold this way, for $88m and $500m, respectively, to Unilever and Montedison, to the great good fortune of their owners, but the loophole has now been plugged.

Nowadays, analysts say, sellers can stave off capital gains tax by quickly making long-term investments in the property market, which most rich Spaniards do by instinct anyway, or by holding their assets offshore. Madrid's tax treaty with the Netherlands, for instance, means that shares owned in the Dutch Antilles would attract less than 5 per cent capital gains tax if sold.

Not all the buyers are foreign. When tensions in the family running the big Elosua oils and foods group became too much for the youngest of them to bear late last year, he persuaded a state-owned competitor, Mercasa, and the family bank, Banco Pastor, to buy up Elosua shares until he and they controlled a majority. Now back running the company his two uncles had tried to take away, young Marcelino Elosua, grandson of the founder, has removed the two from management. But Elosua no longer belongs to the Elosuas.

Family businesses can also survive traumas, however. At Campofrio young Pedro Ballve, 35, has retaken control of the processed meats group his father started in 1944 and then, strapped for cash, sold to Beatrice Foods of the US in 1978. Ballve has floated 15 per cent of his company on the stock markets and has become one of Spain's most aggressive exporters.

The Botin family that runs Spain's most aggressive and expansionist bank, Banco Santander, has meanwhile managed to hold together and is taking its fourth successive generation into management. Treasured (or desired) clients sometimes get to play golf with Seve Ballesteros, who is married to the boss's daughter.

The March family recently took control of the prestigious and revived Banco Urquijo to add it to their cash-rich and energetic empire of financial and industrial holdings.

Enric Bernat, the ambitious founder of Chupa Chups, the world's largest producer of lollipops, has taken his sons into management and is diversifying into financial services.

Bernat represents a particularly Catalan weakness for family-run businesses, especially in the foods and drinks sectors. Vilafranca de Penedes, a small town near Barcelona, boasts more than 200 family-owned producers of Cava, Spain's champagne.

There is tenacity, too. The three Fierro brothers running a big industrial and banking group, Fosforera, founded by their father in 1882, ran out of money in the mid-1980s and had to sell off their main holdings (including Banco de Finanzas, which was bought by Chase Manhattan as a retail base in Spain but which is up for sale again).

Two of the brothers pooled their resources and the remains of the empire are now being run by the elder brother's son, Alfonso. He has since bought a small bank, the Sindibank in Barcelona and has been quietly adding little companies to the Fosforera portfolio again. It is an important come-back.

But the Botins, Fierros and Bernats are exceptions at the top of Spain's business ladder. In Banesto, most of the conniving old banking clans have been tossed out by its new chairman, Mario Conde; the only notable survivors are the Herrera family that manages and owns part of Banesto's refining affiliate, Petromed.

The loss of secrecy as new accounting laws come into force will change family business forever in Spain and remove the one thread that runs through all the country's family businesses, and, indeed, Spanish culture in general – the exclusion of outsiders. It means, probably, that Spain's pool of acquirable targets will grow even if prices do not.

Survival, if that is what the family business ought to be doing, probably depends now on being too small to be noticed.

Magdalena Eberle as Stella and Ingrid Andree, Madame Sommer

Stella

SCHAUSPIELHAUS, COLOGNE

For every 40 productions of *Faust* in the German theatre, there is perhaps one of *Stella*, Goethe's unfashionable story of a *ménage à trois*. Now Gunter Kramer has found a new way into this "problem" play. Kramer takes Goethe's chauvinist dream as just that – an impossible fantasy – and recasts domestic intrigue as fairy tale. Enchanted garden, mythic characters, baffling emotion spun out into daydreams. Below the surface, psycho-drama finally smashes theatrical conceit: Kramer's comment on Goethe's dream. It's a challenging revision, bringing a classic unpredictably to life.

As we have come to expect from Kramer, there's much to please the eye. The set is a playground – seesaw, giant swing hanging from the ceiling down to the pit. The stage is covered with leaves, there is a sprinkling of garden chairs and a sunshade. Lighting turns the leaves day-green or rusty; lanterns glow orange to suggest late-summer evening.

Kramer's theme is that fantasy is lonely, Paradise means different things to different people. It's the lost Eden of Stella and Madame Sommer, both in mourning for the man who loved and left them; the imagined heaven of Fernando, who dreams of getting them both back; wonderland for the child Lucie. At the core of Kramer's interpretation are two extra children: the servants Annchen and Karl are transformed into mad kids who speak the truth through demented retellings of fairy tales.

Each begins with a fabled role. Madame Sommer (Ingrid Andree), fragile in black lace, bird-like face twitching beneath veil, sways in mute misery on the swing, the spectre in the garden. Stella (Magdalena Eberle), in white tennis dress and plimsolls, waist-length tresses, is the princess pining. Lucie (Karina Fallenstein) is story-book innocence; Fernando (Susanne Barth) weak-willed evasion. All act, dance, mime more than they speak; balance on seesaws, carry one another piggy-back, play hide-and-seek and ring-a-ring o'roses. Cartoon animation comes to mind: bright, slick, unreal.

Character emerges out of playfulness. Stella's chattering elegy is pierced by pain when she learns that Fernando is married; sick hysteria gives way to worn out incomprehension. In a startling performance, Ingrid Andree's Madame Sommer changes from victim to organiser; even her face seems to gain strength from resignation. I was less happy about the pantomime casting of a female Fernando – easy to make the macho image crumble, harder to suggest sexual tension in the first place.

High comedy is the counterpoint to *sturm und drang* excess. When Stella is revived with a moistened cloth, Annchen is pelted with wet rags, slapstick punishment for telling the truth. As the fat, crazy, well-meaning fully-grown child, Maria Happel nearly steals the show. Kramer gives her the key lines: the tale of a count who went to war, was held to ransom and saved by a beautiful girl with whom his wife then agrees to share him.

This production is a masterpiece of contrasts. A screen projected on the stage wall shows a window on the outside world – changing traffic lights, a street sign, cars zooming past, people coming to peer into the theatre. Here is reality and dream, a brilliant trompe d'oeil effect.

Jackie Wullschlager

Robin Hood

THEATRE ROYAL, STRATFORD EAST

"Behind you!" and "Oh no it isn't!" people were calling, only moments after curtain up. It hardly mattered that these cries were irrelevant, and that there *was* nothing behind poor bewitched Cedric the Tree, who was delivering the Prologue. We were just a dream audience at Stratford East, teasing the show along, ornamenting the song with echo effects, pelting apples at the baddies with expert marksmanship. The sense of community that makes this theatre so special is at its best in pantomime season.

This *Robin Hood*, written and composed by Patrick Prior and Dave Brown, is very nearly a dream pantomime. It laughs at itself and it hardly ever flags. We knew it would have Robin and Marian and the Sheriff and Sir Guy – but we hadn't realised that Robin would be the worst archer in England, saved by his mother and his girlfriend.

We hadn't expected Morgana le Fay, and we were glad to encounter Ethelwolf the Nearly Ready and Egbert the Unwashed. We had guessed that Widow Hood would be played *en travesti* but not that Little John, Friar Tuck and co. would be too. We had heard that Robin and the Saxons would be the victims of over-taxation, but we hadn't known that the baddies would carry a sack marked "Ill-gotten gains".

Nothing had prepared us for the Sheriff's happily horrid henchman Lickspittle – the excellent Philip Pellew. This gleefully gruesome thug gets so excited by the idea of bashing up the Saxons that he thwacks himself with his own ball-and-chain. When finally he has Robin stretched on the rack, he is in his element; and he addresses his audience like a conjuror: "Please observe that during this act my fingers will not leave my hands. *His* fingers, however, are another matter."

"Into the Woods!" sings Robin after he has been outlawed. "Be sure to wear a woolly vest" says Marian. He has a fight with Little John that is choreographed to perfection – and then it turns out that these outlaws – "Even our in-laws are outlaws" – are song-and-dance outlaws. I suppose I should note that neither Marian nor Morgana speak or sing as well as they move and look, and that "Get a plan!" is a weak second-half opener, but my heart wouldn't be in it. This pantomime, directed by Jeff Teare, is a model of ensemble playing.

The best thing of all, though, the show never calls attention to it, is the scenery. Sue Mayes has painted several marvellous pastiches of mediaeval art – a landscape with a rabbit halfway out of one hole and a dog halfway into another, a cityscape of little Nottingham hugged by circular walls, and several more. Painted sets of this inventive wit and picturesque beauty are rare anywhere now. There are no famous names in this *Robin Hood*, but Mayes's contribution is one of several features here that will stand comparison with the best elsewhere.

Alastair Macaulay

TELEVISION

Chat, discrimination and prejudice

Watching Miriam Margolyes on *Tonight With Jonathan Ross* you could see why the Americans have taken to her in such a big way: she is outrageously outspoken. In the tiny amount of time allocated to her she scolded Ross for calling her one of the best voice-over artists in the business – "Not one of the best, *the* best" – confessed with her usual beaming smile to being a great farter, claimed that she needed to exercise every day in order to remain strong enough to carry around all that weight (she illustrated by juggling her bust like a street trader flogging melons) and promoted her forthcoming one-woman Dickens show. It was highly entertaining. But why is Channel 4 screening a chat show at 6.30, three nights a week? Did they feel this was what was really missing from the schedules? Was it considered a minority interest not served elsewhere? Musing on the famous instruction which is supposed to inspire the entire channel, "Be different", did Michael Grade and Liz Forgan suddenly chorus "I know! Thirty minutes of early evening chat!" Or what?

★

Technically the most interesting thing about the *Panorama Special* on the appalling way in which the Guildford 4 were convicted *despite* all the evidence in their defence known to the prosecution, was that it proved you can still make a perfectly reasonable, indeed very powerful, programme about a miscarriage of justice without resorting to the drama-documentary methods which are now so fashionable. I have nothing against drama-documentary; the process can be very effective. But it is good to be reminded that conventional current affairs programmes can also be highly successful.

★

"Guesting" (an interesting modern verb, only slightly less peculiar than the noun "guest-host") on the *Pete Murray Phone In* on London's LBC Radio last week, I expressed my irritation over the final episode of *House Of Cards* which, I felt, had left us in the air. Clearly Mattie was dead and the scheming Urqhart was on his way to the Palace to kiss hands, but there had been a shot of Mattie's tape recorder with its red light still blinking. It was unclear to me, I said, whether or not we were supposed to believe that the wicked Urqhart would get his come-uppance. This prompted several phone calls, the first from a listener who said she had been watching very carefully and Mattie had dropped her tape recorder at the top of the tower before being pushed off, so Urqhart would find it and get away with everything. The second caller said the tape recorder had definitely fallen with Mattie to the ground below and the only possible implication of the close-up showing it still working was that Urqhart – though he might feel secure on his way to the palace – was about to be undone, a bit of dramatic irony since we knew the situation and he did not. Clearly one of these interpretations must be wrong, but which?

★

Imagine that Britain had a retiring prime minister who was male. Do you suppose for one moment that *The Late Show* would devote a programme to analysing his manliness, with a whole lot of men, but not a single woman, pronouncing upon his masculinity? Last week *The Late Show* invited Germaine Greer, Beatrix Campbell, Marina Warner and others to discuss Margaret Thatcher's significance as a woman. You would have imagined from what they had to say that Britain in 1990 was an unassailable bastion of male supremacy; you would never have guessed that we had had a *female sovereign* for the last 37 years as well as a female prime minister for the past 11. Their attitude suggested that they believed Margaret Thatcher was a unique anomaly: none of them, it seemed, had ever heard of Golda Meir, or Mrs Bandaranaike, nor Barbara Castle or Bessie Braddock or Nancy Astor.

★

Despite the frequent appearance of programmes of that sort we are still regularly told that there are far too few "women's programmes". The previous week *The Late Show* discussed the fate of Radio 4's *Woman's Hour* and there was the usual whingeing. Had the token male (Simon Jenkins, who appeared to be acceptable because he, too, sounded like a feminist) pointed out that there had never been a *Man's Hour* and that there was not a single "men's programme" anywhere on television, no doubt we would have had the usual eyes-to-heaven reaction from the feminists followed by the familiar weary claim that *all* programmes have always been "men's programmes". This assertion now seems to be so widely accepted by television producers that the idea is no longer even discussed, yet it is absolute piffle. *Newsnight* does not habitually discuss testicular cancer, the problems of fatherhood, and the difficulties of finding traditional white cotton jockstraps. It is not, in other words, the male equivalent of a "woman's programme". The trouble with feminists is that they want to have it both ways. First they insist that the character, temperament, and emotions of women are so different that they must have special programmes, then when you suggest that these differences may explain why it is so difficult to find women who show up well on *Question Time* they become furious and insist that in character, temperament, and emotions women are no different from men.

Jonathan Ross: not exactly different on Channel 4

★

Satellite television is not a complete dead loss. In addition to Sky News which proves useful several times a month – well, at least a couple of times on average – there is always MTV, the rock video network, which runs 24 hours a day. Once in a while, in the middle of the night, when you are restless and don't feel like reading a book, it provides just the sort of mindless movement which may be needed, serving, no doubt, much the same purpose as a mobile over a baby's cot. Watching under these circumstances recently I saw a video called (I think) "Take On Me" by a group named (I think) Aha. It was one of the most impressive pieces of technical virtuosity I have seen in years. A girl in a cafe is reading a comic strip in a newspaper. A hand emerges from the page, as with Excalibur in the lake, and the girl is drawn into the comic strip, whereupon the style of the video switches from realism to animation. When the cafe owner crumples up the newspaper, the effects are felt within the life of the comic strip. Why do drama departments seem so incapable of using this sort of exciting technique in their work – sheer expense? Probably.

★

Last Tuesday when I drew attention in the notes at the bottom of this page to BBC1's forthcoming 100-minute drama *Dark City* which was described as "a political thriller inspired by current events in the townships of South Africa", I was somewhat sceptical about our chances of seeing "necklacing", or bodies such as Winnie Mandela's "Football Club". Wrongful arrest and vicious beating by policemen seemed more likely, I suggested. This prompted script writer David Lan to write asking why I thought he was likely to be "less than honest" about the nature of violence in South Africa. The answer is that I had been affected by years of one-sided, one-eyed "liberal" representations of South Africa on British television. Our programme makers seemed to be just as racially prejudiced as the South African government, the only difference being that while the latter thought that blacks were evil and whites could do no wrong, our programme makers reversed the order of the colours. But David Lan was right to protest: it was wrong to project other people's shortcomings onto him, and of course his drama proved my assumptions unfounded. Though his film did indeed show vicious police activity it also included necklacing in all its horror, and black vigilante activity (aimed at enforcing a boycott of white shops) which was remarkably nasty. There were weaknesses in the work: it would have been useful to know how the black villain became Mr Big, for instance, and it was not clear to me whose voice the vigilante heard over the van's headphones. Neverthless, this was so much more honest (albeit bleak) than anything else on the subject on British television that one cannot forebear to cheer.

★

While the sackcloth and ashes are still handy: last week I said that *A Tribute To Denis Mitchell* was screened by ITV. In fact it was shown by Channel 4. My apologies.

Christopher Dunkley

Gaslight

GREENWICH

Christmas, it is said, makes children of us all. The dusting down of forgotten enthusiasms is matched by a reaching out for old stories – the older the better, one sometimes feels, as one casts a jaundiced eye down the arts listings. Patrick Hamilton's +Gaslight+ scores on two fronts, by returning us to the cosy drabness of the Victorian parlour – source of so much of today's Christmas culture – and then tickling our spines with a spanking good yarn.

This "Victorian thriller," which was in fact written in 1938, has a sharp gothic feel resulting partly from the theme of madness (Mr Manningham, murderer and jewel hunter, is trying to drive his wife into an asylum), and partly from Hamilton's clever use of lights to power the suspense. They fade as the villain returns to the house, transforming narrative energy to a dramatic one.

Both threads are picked up in Martin Johns' set of bizarrely etiolated staircase and furnishings focussing in on the eponymous, authentic, Victorian gaslights. The odd idiosyncracy – such as a desk where the script specifies a cupboard – is symptomatic of a production which Annie Castledine directs with a robust disregard for the niceties as if she cannot quite decide whether to send up, or go along with, her source material.

Her Mrs Manningham (Sally Edwards) is no blushing flower, but a full-blooded hysteric who has been convinced that her passion is somehow part of her madness by a husband (Robert Pickavance) with the sneer of a starved wolf. Their opening scenes are overloud and boisterous, stressing the burlesque of the plot at the expense of its nastiness, with the result that one loses the frisson of sympathy that might exist for a more hagridden victim.

Alastair Muir

Sally Edwards and Robert Pickavance

Likewise, the sexual taunting that is embodied in the impertinent maid, Nancy, is blunted by the perverse casting of Charlotte Baker, a square-set actress whose impudence seems comically truculent rather than deviously appealing.

But, it is on the detective, Rough, that the duty falls of regaling the audience with the story to date – and therefore with most of the plot – and Bernard Gallagher discharges it well, with more than a little help from the on-stage piano tinkling and ominous falsetto of musician Peter Hayward. This is a fine touch in an ultimately average evening.

Claire Armitstead

RSC is the main beneficiary of the new Enhancement Fund

As widely anticipated the Royal Shakespeare Company has been the main beneficiary of the Arts Council's £22m Enhancement Fund, a wheeze whereby selected arts companies can be rewarded with above average increases in their 1991-92 grants, and for the next two years.

While most arts organisations learned yesterday that they would receive 7 per cent more from the Council next year the RSC is favoured with a 30 per cent increase in grant, bringing it up to £7.87m. This represents an 8 per cent basic rise, plus an extra £1.35m in Enhancement Fund money. If all goes well the RSC will receive identical tranches of cash over the succeeding two years.

But, in theory, there are strings. The RSC must prove to the Arts Council that it can attract matching money, presumably from local authorities or commercial sponsors (a hard task in the current economic climate) and that it can balance its books and eliminate its deficit of approaching £3m. It is doubtful whether, on its own, the money will enable the RSC to return to its London home in the Barbican next April.

Much depends on its success in conjuring up matching cash. It has already approached the City which, having bailed out the company a few years ago, may be reluctant to help again. The idea of the Council withholding money it has promised, or demanding it back because a client fails to deliver its side of the bargain, is faintly ridiculous and doubtless, if the companies do their best, the extra cash will go towards reducing, if not eliminating, deficits.

In contrast the National Theatre is not Enhanced, although it does get a 10 per cent uplift in grant, to £9.85m. This is in recognition of its success in balancing its books while the others of the Big Four are facing deficits. There is obviously going to be no easy solution to the problems at the Royal Opera House, which has a deficit approaching £4m. It gets just £700,000 in Enhancement money and a total grant, excluding the Birmingham Royal Ballet's £3.6m, of £13.5m.

Its great, if friendly rival, the English National Opera is boosted by £800,000 from the Fund, to a total grant of £10.43m, an overall rise of 15 per cent as against an 11 per cent uplift for the opera side of Covent Garden's activities. But the ENO is suffering a 6 per cent fall in audiences this year against its forecast, due as much to the general decline in West End theatre going as to the public's difficulties with its challenging programme of 20th century opera, while the Royal Opera House is having some success in balancing its books this year.

Only 45 of the 170 clients of the Arts Council are rewarded with Enhancement money, and most of them will have to prove their worth by balancing their books, improving artistic standards, and – most worrying of all – attracting matching sums, to continue to receive the three year bonus. Opera North, with £685,000 more and English National Ballet with £400,000, are particularly generously treated by the Fund. The LSO also gets £400,000, for an overal rise of 75 per cent to just over £1m, but the other three major London orchestras lose out.

This year the Arts Council has taken its courage in its hands, and with a higher than anticipated sum from the Government has been selective in its grants rather than treating everyone equally well, or badly. For example, the South Bank arts centre gets just 5.5 per cent more, at £12.26m, whereas the ICA, with no great reputation in recent years, is boosted by 35 per cent (which includes Enhancement cash) to £701,500. The Council is impressed by the ICA's new management team's plans, but reckons that the South Bank is well enough managed to get by on less.

Some regional theatre companies, like Bristol Old Vic and Liverpool Rep, get no rise at all in grant while the Crucible Sheffield and Northern Stage in Newcastle are threatened with a sizeable cut. Here, the Council is trying to force local authorities to boost their grants. The Regional Arts Associations, who act as paymasters for the smaller arts groups, in general will get just over 8 per cent more to distribute, although Greater London Arts is limited to a 2.5 per cent increase – partly because it has accumulated funds, and partly as window dressing in an attempt to ensure that the expenditure per head on the arts is spread more evenly across the UK.

The new Minister for the Arts, Mr Tim Renton, saw the Council's list of grants and bonuses but made no changes. Today he will announce his first decisions – over how the devolution programme involving nearly 80 large arts companies will be put into practice. After yesterday's generally good news this will prove less popular among the 30 odd companies who will hear that their appeals against delegation have been overruled.

Antony Thorncroft

ARTS GUIDE December 14-20

THEATRE

London

The Rehearsal (Garrick). Jean Anouilh's play directed by Ian McDiarmid with costumes by Jasper Conran in a production that has received excellent reviews (071 379 6107).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn. A probable, but unspectacular, hit (839 5972).

Hamlet (Lyric Hammersmith). Cheek by Jowl's idiosyncratic production, directed by Declan Donnellan (071 839 2244).

Absurd Person Singular (Whitehall). Revival of early Ayckbourn comedy, directed by the master himself, about three couples at Christmas in three kitchens over three years – Moira Redmond, Richard Kane and Lavinia Bertram on fine form in a production which confirms Ayckbourn's early bleakness (071 867 1119). Extended until January.

Man of the Moment (Globe). Nigel Planer and Gareth Hunt in another Alan Ayckbourn play, this time about media manipulation (437 3667).

Miss Saigon (Drury Lane). Spectacular and successful musical about a love story between an American GI and a Vietnamese girl during the fall of Saigon in 1975 (071 836 8108).

Into The Woods (Phoenix) Julia Mckenzie shines as the witch in Stephen Sondheim's compendium of fairy tales. The title song is more memorable than a storyline that descends into recrimi nation and chaos as the characters' dreams turn sour (867 1004).

Cats (New London). The formula of T.S. Eliot words, Lloyd Webber music and feline dance has made this Britain's longest running musical (405 0072).

The Rocky Horror Show (Piccadilly). Revival of the 1970s classic, directed by Robin Lefevre (071 867 1118).

Wind in the Willows rewritten by Alan Bennett for the Christmas season. A strong comic cast includes Richard Briers as Ratty and Gryff Rees-Jones as Toad. National Theatre. (071 928 2252)

New York

Falsettoland (Lucille Lortel). It will be known as the first musical about Aids hitting New York but it goes much further than that, showing the effect on a larger circle of people, who include a boy having a Bar Mitzvah and his parents, all three of them (924 8782).

Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to shake the bones of this inert depiction of lives criss-crossing in an elegant, but somewhat random setting (246 0102).

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this transfer from London (239 6200).

Gypsy (St James). This 30th anniversary production is a reminder of the heyday of the American musical with memorable tune after memorable tune, as well as a forceful plot about the ambitious stage mother who encourages her daughter into burlesque (246 0102).

Washington

Grand Hotel, the Musical (Opera House). Tommy Tune's five Tony award winning musical stars Liliane Montevecchi, Brent Barrett and Mark Baker in the remake of the Garbo film that recreates decadent, dark and dramatic Berlin of the 1930s. Kennedy Centre (468 4600).

Chicago

Other People's Money (Royal George). Corporate takeover artist Larry "the Liquidator" Garfinkle is played for all his mischievous worst by Peter Van Wagner in Jerry Stern's funny and telling view of contemporary finance, directed here by the star of the off-Broadway production, Kevin Conway (986 9000).

Phantom of the Opera (Auditorium). The midwestern production stars Karen Culliver surrounded by the familiar chandelier and other heavy duty props in a full blown staging (902 1919).

A Christmas Carol (Goodman). William J. Norris returns for his 12th season as Scrooge in the annual Goodman production (443 3800).

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Escape from the debt trap

IT TOOK six years from the onset of the debt crisis, in 1982, for industrialised countries to realise that the Third World debt problem would not be solved by creating new debt. In 1988 governments recognised that they would have to forgive some debt owed to them by the poorest countries. In 1989, the Brady initiative signalled international help for the process of lowering Third World debt owed to commercial banks.

These belated steps have somewhat reduced the debt burden, as the World Bank underlines today in its annual assessment of developing country debt. But, as it also suggests, much remains to be done before the debt crisis can be consigned to history.

The immediate risk is that conflict in the Gulf would reverse much of the improvement in the debt positions of oil-importing developing countries. Beyond that, the improvement is precarious; the benefits of debt relief can be negated by changes in exchange and interest rates, and the terms of trade.

The report also indicates how little the poorest countries, whose debt is mostly owed to official creditors, have benefited from the 1988 debt concessions, known as the Toronto terms. This is why Mr John Major should not let his domestic concerns prevent him from pursuing the debt initiative for the poorest countries he announced, when chancellor of the exchequer, in Trinidad. This proposal could result in a deep and long-standing cut in the still intolerable debt burdens of the poorest countries.

Bold reforms

Official debt is not just a problem for the poorest countries. Three-quarters of Poland's fast-growing debt burden is owed to governments. As the US and others have recognised, the country's bold reforms could be made unworkable, unless it is relieved of a large part of this burden.

As for the commercial bank debt of the middle income countries, the Brady plan has, the Bank estimates, resulted in savings equivalent to writing off one-third of the commercial bank debt covered by the agreements reached so far. Help has been provided for Mexico, Costa Rica and the Philippines and is on the way for Venezuela and Uruguay.

Nevertheless, Costa Rica's economic reform programme appears to be slipping, and the Philippines may need yet more debt relief. The biggest debtor, Brazil, remains a huge challenge, and for others, the benefits of the Brady plan appear to be slow in coming.

Profound restructuring

By contrast, Mexico appears to have a chance of converting the modest benefits of its Brady deal into a long-term resolution of its foreign debt problem. This is because it has combined the confidence-building elements of its deal with an economic restructuring more profound than many close observers of the country thought possible. There are signs of a modest increase in foreign investment, a return of some flight capital and voluntary borrowings in the bond market.

In short, the debt crisis is slowly, unevenly and painfully being resolved, as international policy-makers stumble towards a framework analogous to commercial bankruptcy for sovereign debtors. A framework that functions properly could reduce this period of transition. The goal at least is clear: it is to reach a situation in which domestic and international investors view a given debtor country as once more a suitable home for their funds. In the mean time, the growth in the share of Third World debt held by the official sector is an inevitable consequence of the present phase of the debt strategy.

However important, debt forgiveness will not solve the economic problems of the Third World on its own. In addition, macroeconomic reform is required in the debtor countries themselves; property rights must be established to allow profitable and safe investment and, last but not least, a liberal international trading system must be in place. Generosity over debt reduction, hard-headedness over developing country economic reform and courage over their own trade liberalisation is what is required from the industrial countries.

Passengers must come first

AMERICAN Airlines' agreement to buy Trans World Airlines' services from the US to London, following the purchase of Pan American's similar services by United Airlines, adds to the pressure for changes in two aspects of British air transport policy: the methods of allocating capacity at London's congested airports, and the methods of regulating international services.

Both American and United have made their purchases conditional on retaining the rights now held by TWA and Pan American to operate from Heathrow. Indeed, the value of the rights to fly to the UK would be a great deal less if Heathrow could not be used. But the present regulations governing access to Heathrow and the services between the UK and the US bar the transfer of such rights. Only airlines which operated from Heathrow before 1977 can now use that airport.

The rules controlling the use of London airports are now being reviewed by the Civil Aviation Authority, while the Department of Transport is also studying more radical changes such as the auctioning of capacity at airports. Introducing market forces into the allocation of scarce capacity at London's two main airports could solve this problem – as well as eliminating much of the value of PanAm's and TWA's present routes.

Negotiated solution

The solution to this dilemma is likely to come from traditional inter-governmental bargaining during the current renegotiation of the bilateral agreement that regulates airline services between the UK and the US. However out-dated the concept of agreements between governments to share out capacity on international services may seem, such agreements remain the basis on which international services are controlled.

The future of these agreements needs rethinking now that the scope of deregulation in the airline industry within Europe is beginning to approach that within the US. There would be something rather odd about restrictive agreements to control the services between Europe and the US, while a high degree of freedom exists at either side of the Atlantic. Mr Samuel Skinner, the US secretary for transportation, has said that the interests of the consumer should come first. If that was the case, there should be no controls over entry to the transatlantic or any other airline service, domestic or international: foreign airlines would be free to operate within the US and within Europe, and all bilateral agreements would be scrapped.

Ultimate objective

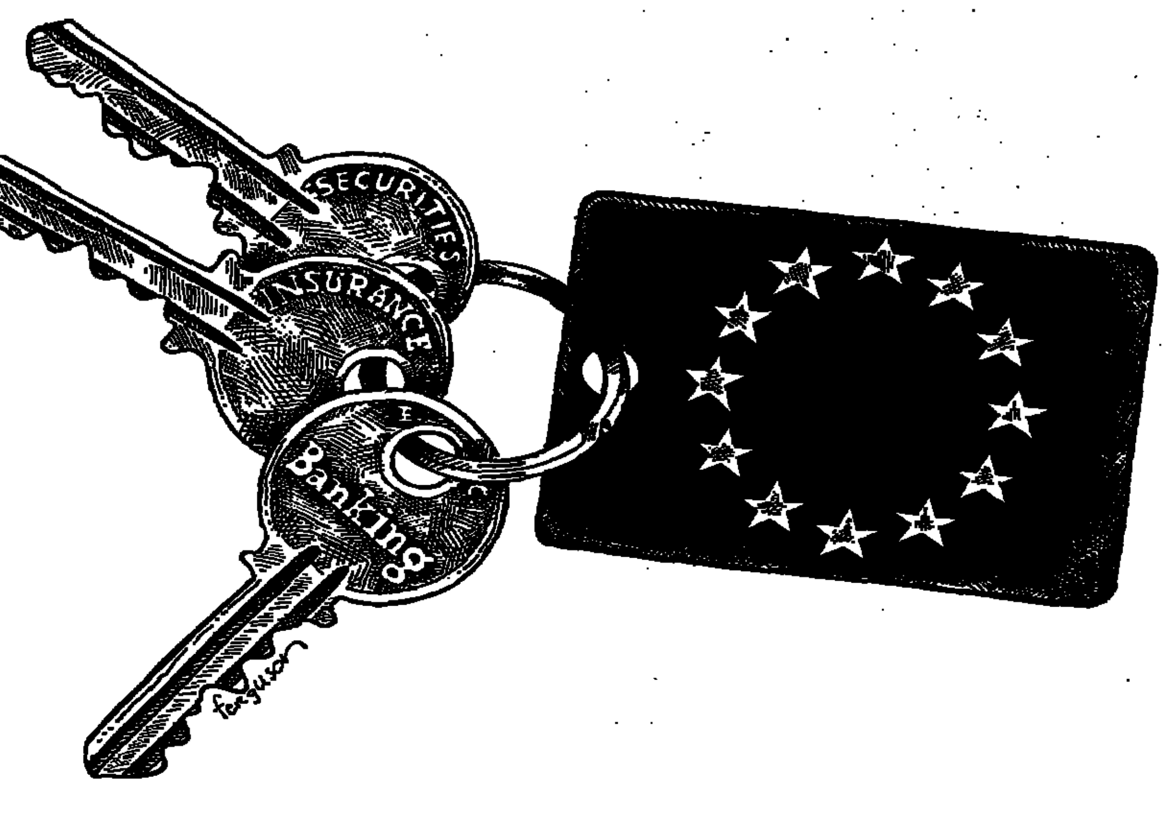
While this degree of freedom should be the ultimate objective, the current negotiations between the UK and the US are likely to follow the traditional pattern of bargaining over the nature of the rights for British and American airlines to fly between the two countries. In these bargaining sessions, when access to Heathrow will be traded against access to more of the US, the negotiators must remember that the interests of travellers in each country would best be served by increasing the number of services which the other country's airlines could operate.

The British government cannot, however, offer what American airlines most desire: access to more routes in Europe. This suggests that, so long as bilateral agreements continue, the appropriate negotiating unit in Europe is the European Community, not the individual nation states. The next stage of deregulation for the European airline industry, which will come up for debate next summer, will concern the access of foreign airlines to routes within Europe, which will be a crucial step in promoting effective competition on European routes.

Decisions on this issue may affect the validity of existing bilateral agreements; and the Europeans will no doubt demand that access to Europe for foreign airlines should be matched by access to other countries, especially the US, for European airlines. In these complex negotiations it is to be hoped that the negotiators will not forget that the process is intended to benefit travellers rather than the airline industry.

Lucy Kellaway and Tim Dickson examine the deregulation of financial services in the European Community

Painful birth of single market



It was billed as the biggest, the most open and the most unified financial market in the world. The plan was breathtakingly ambitious: building a single market in financial services in Europe meant knocking down centuries of established business practices, and cutting across areas that member states had always regarded as their own.

In the mid-1980s, financial services were more fragmented than almost any other European industry. A small handful of technical banking directives, a couple of minor measures on stock exchange listing requirements, and a dozen or so yellowing draft directives on insurance were the only sign that anybody had thought beyond purely national markets. But now about half of the 50 European Community directives that will make up the single market have been passed, and the pressure is on to agree the rest. For the first time, the completion date of the end of 1992 seems possible.

However, it is becoming clear that the structure of financial services may resemble only in passing the original vision. On January 1 1993 there will be no dash into the Portuguese stockmarket, neither will there be a flood of Danish insurance companies establishing themselves in Paris.

The savings from a single market in financial services are not going to come quickly; the Ecu23bn a year – 0.7 per cent of Community GNP – cited in the Cecchini report, a Commission document that set out the gains of the single market, now looks far-fetched. Even with all the EC measures in force, deep cultural differences will remain in the way business is done, in taxation between member states, in consumer patterns and loyalties. It may be possible in theory to sell financial products anywhere, but building a sales network is likely to be prohibitively expensive. Meanwhile, an antiquated payments system means that the simplest cross-border payment can take weeks. At least for the consumer, a single market in financial services is likely to remain a fiction.

By contrast, in the wholesale markets, which process large transactions, there is already plenty of cross-border action, though this is less European than global. Electronic trading, the lifting of capital controls, and a spate of banking and securities mergers have all shifted the focus of markets beyond national frontiers. The big financial reforms that nearly all EC countries are carrying out are not an attempt to steal a march on beat 1992 but are designed to increase their attractions as international financial centres. London did not wait for any EC directive before its Big Bang in 1986, neither did Italy need the second banking directive to pass laws giving its banks more freedom.

This does not mean that the scores of EC legislators and negotiators are wasting their time. The new directives will prevent countries from introducing rules that keep each other out, and will also set minimum regulatory standards beneath which member states cannot fall. The effect of the hype itself may also be helpful, perhaps prompting countries to liberalise faster than they otherwise might, and encouraging companies to stop thinking national.

After five years of haggling, there is now a broad consensus among member states over what the single market will look like. "We have tinkered with some deadlines and changed a few words, but we have not compromised on a single matter of importance. All member states now agree with the basic principles we are trying to establish," says a senior Commission official. The problem is more to find an approach that is compatible with the starkly different ways of doing business in different member states. At first sight, British habits look irredeemably liberal, French, Belgian and southern European habits somewhat protectionist, while the Germans' are a mixture of liberal and over-regulated. On closer inspection the differences are more complicated, with alliances ever-changing and shifting, but with agreement possible on a basic model.

This consists of three elements: freedom of capital movements across the Community, freedom for EC companies to set up business wherever they like, and freedom to provide services in different countries. The first has been in place since last July, and the effect has been marked. The result has been far greater internationalisation of portfolios, which in itself has increased the pressure to allow companies to raise money wherever they like, and for them to be able to do business anywhere.

In each sector the idea is that companies should have a "single passport", which will allow them to do business anywhere in the EC. In the jargon, the system is being built on three principles: home country control, mutual recognition and minimum harmonisation. In plain English, regulators will issue the passport to their home companies and will regulate their companies' operations all over the Community. For the system to work, those regulators must be accepted everywhere. That in turn means that some minimum level of regulation set at EC level – covering crucial matters such as the capital requirements of banks and brokers – must be in place everywhere.

One effect of this has been far greater co-operation between EC regulators. Although banking regulators have always co-operated, in securities and in insurance the idea was relatively novel. A single market may not entail a single regulator but it does mean a greater overlap between regulators. Co-operation is being reinforced by new directives on insider trading and money laundering, agreed on Monday.

Progress in building the model has edged along at different speeds. The easier parts are through, with the more difficult measures left until last.

● Banks. The Second Banking Directive, agreed last December, was the first example of single market principles, and provides the best glimpse into how the new system will work. After 1992 it will allow banks to provide a whole range of services from lending to advisory work to securities business. Some British bankers are sceptical about its effects, arguing that the freedom to establish anywhere in the EC was there already. "Sir Leon Brittan talks as if he has just created the greatest banking market in the world. That is baloney," says one senior British banker. Critics point out that there are too many banks in Europe anyway, and that the costs of setting up branch networks overseas are prohibitively high.

Even with all the EC measures in force, deep cultural differences will remain in the way business is done

In some countries the effect of EC banking legislation may be enormous. In Germany, for example, banks are not allowed to sell money market funds, whereas in France the market for such funds is thriving. The prospect of French banks seizing this market in Germany after 1992 will probably mean that German law will be changed, with potentially damaging results for bank profitability. According to McKinsey, the management consultancy firm, such liberalisation could mean German banks could see their profits fall from $3bn to $1.8bn a year.

The banking directive is relatively open to the outside world – a pattern to be repeated in the other directives. Non-EC countries' banks will be welcome in the EC unless they discriminate against European banks at home. The idea has been to convince the rest of the world that the EC is not a fortress, and to encourage liberalisation elsewhere, by example, not by coercion, and so far it could be having some effect. Sir Leon Brittan, EC Commissioner for financial services, has been touring the US making flag-waving speeches, and EC legislation is being used as an argument in the US for abolishing restrictive US banking practices.

● Securities. Legislation to remove some of the barriers for investors, issuers and intermediaries is in various stages of discussion. For investors most of the work has been done by removing capital controls; for issuers some progress has been made on common stock exchange listing particulars. Protection for investors is to be improved through a ban on insider trading, limits on share disclosure, and common rules to be established in the conduct of takeovers.

The challenge is now to create the famed single passport for investment companies and to set the minimum capital rules. Finance ministers are still squabbling over the details, but a solution may be in sight for the beginning of next year. A bridge needs to be built between two fundamentally different approaches to consumer protection: in France, for example, the regulations are rigidly applied to individual markets, whereas in the UK, each market is allowed to operate more freely, backed by a flexible regulatory framework of authorised dealers.

Meanwhile the UK and Germany are engaged in a battle over the issue of capital adequacy for stockbroking firms. Germany is still opposed to seeing much looser capital restrictions applied to securities firms than to banks, while the UK is concerned that tight definitions of capital would put half its investment industry out of business.

● Insurance. Moves to liberalise what remains a highly fragmented sector have long been frustrated by a lack of political will, the daunting technical challenge of reconciling different European regulatory traditions, and the sensitivities surrounding the issue of policyholder protection. But in order to weld 12 different, compartmentalised markets into a single market Brussels is seeking nothing less than to abolish separate host state authorisations and introduce the principle of home country control.

So far modest steps towards freedom of services have been taken in the Second Non Life and the Second Life directives, which respectively allow genuine cross-border business for big company risks and where consumers on their "own initiative" seek an insurance policy from a company established in another EC country. But the big prize lies in the two proposed framework directives – one already on the table, the other likely to be unveiled early next year – which, if adopted, will introduce full mutual recognition by national regulatory authorities and freedom for companies to operate on the basis of a single insurance licence.

Although it seemed like a setback at the time Brussels' thinking is influenced by a 1986 European Court judgment. This concluded that "host" country rules were justified due to the lack of harmonisation in technical reserves, on the controls of the assets representing those reserves, and of policy conditions.

The two new "framework directives", plus the existing Insurance Accounts which includes most of the necessary harmonisation for non-life businesses, are aimed at agreeing common EC-wide rules for these three areas.

The tough bargaining has yet to get under way in Brussels but EC officials maintain that all governments (including the Germans) now implicitly accept the principle of the single passport. Key issues, for example, are how far the Commission can get away with its avowedly minimalist approach to regulation and to what extent product design can be liberalised by eliminating national systems of individual policy approval.

Once the 20 or so key directives are through the legislative machine, several areas remain to be tackled – Sir Leon has his eye on the market for pension funds. Otherwise the Commission seems ready for a future spent devising tiny and technical modifications to existing directives. It will be up to the market to make sure that the reforms deliver their promise. It will also be up to member states to agree the most important measure of all – a single currency. Twelve different currencies and 12 different interest rates are not, after all, the best basis for a big, open and unified financial market.

OBSERVER

Hizzoner gets stoned

■ Ed Koch, the combative ex-mayor of New York, decided yesterday to help out his old friend Teddy Kollek, the veteran mayor of Jerusalem who is fighting a losing battle to persuade foreigners – especially wary American Jews – that the city is still safe to visit.

The two set out, complete with a bevy of cameramen, to walk through the Old City, scene of the killing of nearly 20 Palestinians by Israeli police on October 8 and as devastated as anywhere in the Holy Land by a slump in the tourist trade induced by the Gulf crisis and the Palestinian intifada.

As the cramped alleyways of the mainly Arab Old City were firmly shuttered in response to a Palestinian protest strike, the pretence of normality was pretty unconvincing. It was completely shattered, however, when a rock hurled by some unseen intifada activist bounced off a wall and hit Mr Koch square on the top of his head.

Dabbing a small cut with his handkerchief, the former mayor gave a characteristic – if rather hollow – verbal riposte. "I would hope that the Jews and Christians in New York and the United States would say: 'You're not going to keep us out of Jerusalem, you're not going to prevent us by stoning innocent people from supporting the people of Israel.'"

It was clearly not the moment for Mr Kollek to advance his favourite saw that the streets of Jerusalem are much safer than the streets of New York City.

Final bid

■ Have all the City's brains been made redundant? For the first time ever Goldman Sachs's London office has had no completely correct answer to its Christmas quiz. Any reader who can supply them is in line for two jeroboams of fine champagne. The three questions are:

Which countries make up the difference between the G7 and the G10?

Which exchange rate would Agent Cooper be most interested in this year with regard to Laura Palmer's murder?

Which currency would a Persian wild animal carry while walking backwards to its royal resting place?

Answers to David Morrison by close of business tonight. Telephone 071-489 2291; fax 071-489 2968.

Patten time

■ What was the first question a City seminar audience bowled at Chris Patten, Tory party chairman?

No, it wasn't seeking the election date, nor hints about the shape of John Major's promised fresh agenda. It was whether the Irish government would change its constitution with regard to Northern Ireland.

Patten seemed peculiarly well prepared for this odd City inquiry.

He enthused that the advent of Mary Robinson as president, and the appointment of Cahal Daly as primate of All Ireland, said "an enormous amount that was good and positive about Ireland as a whole".

He added: "In the wake of what that tells us about the Republic in the 1990s, there may be a more solid move to adjust the Irish constitution to remove the territorial claim to the North." This would then put on the spot those Northern Ireland politicians who consistently avoided hard political choices.

As for the mundane matter of the election date, Patten was pressing the advantages

"I wouldn't be part of a divided Soviet Union that would have me as a member."

of giving the new team time to develop some big ideas for the 1990s. "We have to identify a tune people can whistle."

Roger Palmer, the Kleinwort Benson Securities' director who organised the seminar, interprets this to mean May/June 1992 is the most likely election date.

He may be right. After all Patten was a long time political consultant to Grieveson Grant, now part of Kleinwort.

Sid's lore

■ No prizes for guessing what Sir Peter Thompson, the not so retiring chairman of NFC, intends to do for his next career.

"Creating a nation of shareholders is the priority," he announced after his final NFC press conference. "I want to get all those Sids to take the next step and buy non-privatisation shares."

Confessing this modest ambition was the climax of a vintage Thompson performance. Calling himself the last of the dinosaurs, he cheekily wished his successor luck and summed up his own performance by misquoting his favourite comedian, Ronald Reagan: "Not bad, not half bad."

At his farewell dinner on Monday, Sir Peter was presented with a plaque bearing an inscription and a cobblestone from the company's 13-acre Camden development site. He could not be allowed to retire without getting something out of the site after almost eight years owning it.

For the record

■ Working on after hours at the North of England Building Society in Sunderland, head of investment services Brenda Howard heard a phone ring. When she picked it up and introduced herself, a female with a foreign accent replied: "Oh, I wanted to speak to the answering machine."

Obligingly, Howard asked if she could help instead.

"No," said the voice, "this is personal. I must speak to the machine. Goodnight."

Tortuous prose

■ While British newspapers readers woke up yesterday to read that Mr Asil Nadir, the Polly Peck chairman, had spent the night in a London gaol, readers of Günaydin, an Istanbul daily, were being treated to a rather different version.

Under the headline "An Ugly Plot Smashed," it announced that Mr Nadir had been set free after a seven minute hearing and a thirty hour "doubtful" interrogation, amidst Greek Cypriot panic and Turkish rejoicing.

"It seems that torture is not only practised among us [Turks]," brooded one Günaydin writer darkly. The newspaper in question happens to be the flagship of Mr Nadir's Turkish press empire

The centre slowly loses its hold

Yugoslavia's federal structure is being fractured by nationalist feelings, writes Judy Dempsey

The tasks confronting Yugoslavia's prime minister, Mr Ante Markovic, become more Sisyphean by the day. Every time he tries to implement reforms, fresh obstacles appear. These force him to retreat. But the obstinate prime minister persists in pushing ahead with reforming his country's economy. So far, he has succeeded. It has not been easy.

The country of 23m people over which Mr Markovic governs consists of an ungainly collection of six republics, each with its own traditions. Some, such as Slovenia and Croatia, were weaned on the Hapsburg empire, while others, such as Serbia, were once dominated by the Ottoman empire. Some have their own language and religion. The Croats are Catholics, the Serbs are Orthodox, the Albanians are Moslem. The alphabet too is different. In Slovenia and Croatia, it is Latin; in Serbia, Macedonia and Montenegro, it is Cyrillic. There are few unifying forces in the country.

It was not always so. President Tito, who died in 1980, glued the country together. His authoritarian personality helped; so too did the memory of the second world war in which the Nazi-backed Ustashi movement from Croatia murdered tens of thousands of Jews and Serbs. Out of the ashes of 1945, Tito's communist Partisans created a new Yugoslavia.

Tito had much sympathy from the international community. His break with Stalin in 1949 ensured western support and financial assistance, even though it overlooked Tito's gulags, the tough Communist-run internal security, and the economic inefficiency which saddled the country with a $20bn debt. These factors together guaranteed stability. They also relegated government to a status which had no power or moral authority. This is the legacy which Mr Markovic has inherited.

In spite of this legacy, Mr Markovic's 20-month-old government has managed to push through substantial economic reforms as the country passes from Communist party control to freely-elected governments in all the six republics.

Inflation has been brought down from 200 per cent a month in 1989 to 10 per cent a month. The dinar has been made partially convertible after it was tied last January to the German D-mark. Prices have been freed and imports liberalised. Foreign companies have been given incentives to invest. But the next phase of the reforms, which include implementing privatisation and a new fiscal system, have run up against the second and more lethal legacy bequeathed by the Tito era: nationalism.

Ten years after Tito's death, nationalism has taken on a new and potentially destructive dimension. The man responsible for placing nationalism on the political agenda is the Communist Mr Slobodan Milosevic. Last week, he was elected president of Serbia, the largest of the six republics.

Serbia is to the western republics of Slovenia and Croatia what Russia is to the Baltic states. It is big – it covers 35 per cent of the country's entire territory; powerful – it is the country's biggest food producer; and dominant – it has a population of 9.4m. Mr Milosevic, a young ambitious communist official who entered the political limelight in the autumn of 1987, has attempted to reassert Serbia's dominance throughout Yugoslavia.

His stepping stone was the Belgrade Communist party organisation, the largest and most powerful in the country. He ousted all his erstwhile Communist allies on the grounds that they were corrupt and bureaucratic. He was hailed by Serbs as the one man who would clean up the ruling Yugoslav Communist party.

The Communist leaderships in the other republics took fright. They feared that Mr Milosevic would extend his zeal into their republics. Overnight, they donned the mantle of reformers by changing their names to social democrats. They called free and multi-party elections in the belief that if they were returned to power they could use the mandate to keep Serbia at arm's length.

They were mistaken. Unwittingly, both they and Mr Milosevic unleashed the genie of nationalism.

Free elections provided an ideal platform for nationalist movements in all the republics. Here, the political parties were based largely on ethnic background. Until last May, when Mr Markovic founded his Party of Reformed Forces, there was not a single party which represented "Yugoslavia". Instead, these new right-wing nationalist political parties in the republics pandered to ethnicity. The election campaigns during April and June in Slovenia and Croatia were specifically directed against Serbia and Mr Milosevic.

After his purge of the Belgrade Communist party organisation in 1987, Mr Milosevic broadened his support by promising to regain for Serbia the southern autonomous province of Kosovo, which is inhabited by the 1.8m ethnic Albanians, the majority, and the northern province of Vojvodina, which is inhabited by Serbs, Croats and Hungarians.

In 1945, Tito had carved these two provinces out of Serbia with the expressed aim of curbing the powers of this proud republic. In 1974, they were granted more autonomy.

Because Tito had suppressed any nationalist sentiments, Serbs could not express their grief at having Kosovo, the seat of the old Serbian kingdom, separated from the Republic. What Kosovo is to Serbs, Transylvania is to the Hungarians: a mystical notion which arouses fiery emotions.

This is understandable given the way Mr Milosevic tapped the Serbian nationalism by promising to re-integrate Kosovo. The republics of Croatia and Slovenia shuddered at the prospect of a Greater Serbia. But they underestimated the extent of Serbia's intentions.

Through constitutional amendments, the republics allowed Serbia to regain control over Kosovo in 1989 (and later Vojvodina) in the naive belief that this would stem Mr Milosevic's political ambitions and dilute ethnic tensions. It had the opposite effect.

The takeover of Kosovo was a disaster. Scores of ethnic Albanians were killed during anti-Serb demonstrations and hundreds of ethnic Albanians were sacked from their jobs under the new Serbian administration in Kosovo. These actions served to rekindle an Albanian political consciousness. As a result, the province is today ungovernable.

Mr Milosevic was undaunted. Once he uncorked the nationalist genie, he pitted the ethnic Albanians, and the republics of Slovenia, Macedonia, Croatia and Bosnia-Hercegovina against Serbia. They feared a Greater Serbia dominating Yugoslavia. These fears have provoked a heated discussion about what kind of political structures post-Communist Yugoslavia should construct.

Many of the republics are taking measures to protect themselves. On December 23, the Slovene government will hold a referendum on whether this small republic should secede altogether from the federation. Neighbouring Croatia, meanwhile, is drawing up a new constitution aimed at creating a confederation in which economic and political autonomy would be devolved to the individual republics.

Mr Milosevic, for his part, wants to maintain the federal system. The army is on his side. Earlier this month, Colonel Veljko Kadijevic, the defence minister, said the army, whose officer corps is 70 per cent Serb, would defend a socialist and federal Yugoslavia. Mr Markovic remains nonplussed, even though military intervention against the republics would have serious consequences for his economic reforms – and for Yugoslavia.

Against this background of nationalism and ethnic unrest Mr Markovic has remained above the political fray. He has continued doggedly to implement his economic reform policies, which paradoxically, hinge on the existence of an integral Yugoslavia.

His optimism that Yugoslavia will continue to exist as a single state is based partly on the practical difficulties of coping with the physical break-up of Yugoslavia. "How can we renege on 2,000 multilateral and bilateral agreements?" he asks. He also believes, some say naively, that reason will prevail over the present climate of inflamed national feelings.

For the moment, reason is as elusive as the republics reaching a consensus about what sort of political house in which they want to live. But if Yugoslavia wishes to enter Europe, as it desperately does, it is time the republics sat around the table to discuss their future.

The future of broadcasting

When the regulated 'capture' the regulators

By Sir Alan Peacock

Now that the Broadcasting Bill has received the royal assent, serious questions arise about how to interpret some of its contents. There is nothing unusual in this. A government laying down the functions of a regulatory body, such as the new Independent Television Commission (ITC), has to steer a course between spelling out in detail how these functions are to be carried out and allowing discretion in the interpretation of legislative wording. Over-elaboration of regulations may encourage regulators to be inflexible and too cautious and to alienate the regulated – in this case the independent television companies. Legislative clauses couched in inscrutable language may tempt regulators to exceed their brief as conceived by the legislators.

The economist George Stigler has theorised that regulators are captured by the regulated, the result being, as Adam Smith would have it, "a conspiracy against the public". Producer groups, says Stigler, are easier to organise as a lobby than are the consumers of their products. This is certainly true of broadcasting. Government may unwittingly buttress the producers' position if it restricts freedom of entry into the market. This is also true of broadcasting. Both the formulation of legislation and its later interpretation will rely on producer co-operation, and this will be bought at a price. The successful resistance put up by independent television companies to proposals to prescribe the times when news and educational programmes are screened is an example.

The common assumption that companies passively react to stimuli from government agencies, like Pavlov's dogs, may be convenient but it is clearly erroneous. The truth is likely to be that government agencies become involved in continuous bargaining with the companies they regulate. The outcome may be both indeterminate and unstable.

It is to the government's credit that, consciously or not, it has partially recognised the problem. It has tried to get round it by providing the regulators with precise, unequivocal rules which neither regulators nor the regulated can easily manipulate. A good example is to be found in the Retail Price Index (RPI) + X formula – where X is an increment – used to set prices in such diverse sectors as electricity, telecommunications, water and broadcasting. In the case of the BBC, the increase in the licence fee is simply tied to the RPI so that X = 0. This does not prevent the BBC from arguing that X should be greater than 0, whereas the government is now considering whether or not to phase out the licence fee – that is to say X would take a progressively greater negative value.

It is ironic that the regulators Sir Bryan Carsberg (telecommunications), Mr Ian Byatt (water) and Professor Stephen Littlechild (electricity) who have to apply these formulas, must all be sympathetic to the Stigler approach to the economics of regulation. Now they must prove him wrong.

However, the activities of independent television companies cannot be regulated by recourse to a formula. The Broadcasting Act sets an immediate test for the embryonic ITC – how to react to the Sky/BSB merger. This is a useful illustration of the problems in applying the "capture" theory. The incumbent franchise holders have been vociferous in their complaints about a "satellite monopoly" freed from the regulatory constraints under which they are expected to operate. They have sewn up the television market together with the BBC. While they have a firm hold on the television advertising market, the BBC has an assured income through the licence fee. If that market is to become contestable, one satellite interloper with some prospect of financial viability is better than two which could drive each other into bankruptcy.

Andrew Knight, chairman of News International, rightly argues that the merger, along with the existing terrestrial television companies, will soon have to compete with the other 25 channels on the Astra satellite. A merged Sky/BSB would, in any case, have to obtain licences from the ITC, which presumably means that it becomes subject to the ITC codes of practice and quality regulation. It is hardly within the spirit of the Act that the merger of Sky and BSB should be stopped on grounds of restriction of competition. Competition would be even more restricted were it disallowed, and this is against the interests of the consumer who should be sovereign. One suspects that the ITC will please the ITV companies by answering the government's question "is the merger legal?" by saying "no". It can then at least claim that it has simply applied the law as it was meant to be applied.

Looking a little further ahead, the next test of Stigler's thesis could arise from the spelling out of the meaning of "the quality threshold" when television companies bid for franchises. Dr Veljanowski demonstrates clearly in his recent article (FT October 16) that the growing competition between satellite and terrestrial broadcasters must force the latter to improve their operational efficiency. Only in this way can an ITV company find itself in a position to have both a chance of success in the franchise bid and to give shareholders a satisfactory return on their capital.

Dr Veljanowski is right, provided that the ITC insists on a strict interpretation of quality broadcasting. As the BBC gets away with a policy of keeping up its ratings by popular programmes in direct competition with ITV, one has every sympathy with the independent companies placed between the Scylla of "quality regulation" and the Charybdis of growing competition. I would not want to place any money on the proposition that George Stigler's theory offers the best guess at the outcome. What I am sure about is that the problem will not go away.

Sir Alan Peacock, executive director of the David Hume Institute, Edinburgh, chaired the Committee on the Financing of the BBC which reported in 1986.

LETTERS

Survival of the highly competent

From Mr Allen Sykes

Sir, In the course of a thoughtful and wide-ranging letter, Frantisek Nepil ("Competition is the key to success", November 29) disputes the practicability of two proposals in my recent article on improving corporate governance ("Bigger carrots and sticks", October 31).

First, Mr Nepil believes my proposal for allowing directors options on 5 to 10 per cent of a company's equity in return for putting at risk, in advance, up to two years' salary, is both too generous and likely to cost shareholders half the equity over a century. My article was too short to contain a full explanation of my proposals plus the necessary qualifications (see my David Hume Institute paper). My 5 to 10 per cent proposal is merely illustrative, applicable only to a medium to small company. For a huge company it might more appropriately be but a fraction of 1 per cent. Also I recommended that the CBI, IOD and other appropriate bodies with full investor representation should be involved in developing the appropriate incentives. My proposal is based on a dislike of the present system which gives directors free options but is confined to only four times salary. Long experience of successful MBOs and MBIs shows that when directors risk up to two years' salary but can earn significant equity rewards (far in excess of four times salary) *when they achieve stretching targets*, all other investors do very well out of it.

A much superior incentive scheme offers great advantages to investors, since superior performances will far outweigh the cost of the options.

The equally important point to note about my proposal for directors is that it would strengthen the quality of boards since only the highly competent would risk up to two years' salary. Further, only they would be acceptable to their fellow directors and to the powerful long-term investors inherent in my other two complementary proposals.

Mr Nepil's second point is to doubt whether long-term funds could be cheaper with a bank as a major shareholder and the provider of a large large part of capital as long-term loans. He mistakenly believes a bank would need to use the higher equity returns to subsidise the loans. My proposals involve a bank having a significant equity stake such that with the other three to five proposed investment institutions they could provide *knowledgeable, long-term* ownership and ensure competent management. By being closely involved with the directors (and indeed appointing some part-time directors), a bank would have the knowledge and confidence to lend large sums for long-term development. This is standard practice in western Europe and Japan, where long-term corporate efficiency so exceeds our own.

Allen Sykes,
Mallington,
29 The Mount, Fetcham,
Leatherhead, Surrey

Facts and figures from Hanson

From Mr Martin G. Taylor

Sir, Lex, which did not speak to us, seems on Saturday to have got its holly mixed with its ivy. The Hanson Source and Applications of Funds issued with the accounts on Friday shows on the one hand profit of £1,285m and on the other an outflow of £127m for utilised provisions. The first figure is the profit for the year to September 30 1990; the second, more than 85 per cent of which relates to ARC Properties and our decision to discontinue this business, is an increase in provisions. This outflow is treated in the only way possible, at the "extraordinary" level; it has nothing to do with the "release of unspecified provisions".

The working capital did not rise by £42m but by £299m. Most of this relates to a reduction in creditors following a one-off accrual in 1989 for consideration due to Consolidated Goldfield's shareholders which was paid in October 1989.

To suggest that it is odd that Peabody's net assets should equal its purchase price is to fail to understand the process. First determine the obligations, then determine whether the figure necessary to bring the value of the 100 years' worth of coal reserves previously held at cost in the balance sheet at the balance figure is fair. This figure (about 45 cents a ton) is indeed fair and conservative. The reserves might have been valued more highly, but we have never believed in the concept of the dangling debt.

Martin G. Taylor,
vice-chairman, Hanson plc,
1 Grosvenor Place SW1

A bright outlook for Scottish oil and gas industries

From Dr Harold W.D. Hughes.

Sir, In your survey ("Granite city, buoyant again", Scotland survey, December 14) you cover the outlook for the offshore oil and gas extractive industry and comment, rightly, on its long-term future. If anything, you understate that future. The UK Offshore Operators Association's own study last autumn, carried out with input from 36 member companies, showed an expectation of an industry still producing well over 1m barrels of oil a day in 25 years' time, compared with a current UK self-sufficiency figure of about 1.8m barrels a day. Although oil price will always be a determinant of activity, we expect this position to be achieved through the development of between 100 and 300 new fields, many of which have already been discovered. With gas, the UK position is even healthier, with reserves and expections capable of sustaining a 50 per cent increase in output for at least 25 years.

There is no doubt offshore oil and gas will continue to play a significant role in sustaining the UK economy, and providing jobs for those within it and servicing it.

Dr Harold W.D. Hughes, OBE,
director-general, UK Offshore Operators Association Ltd,
3 Hans Crescent, SW1

A hard Ecu managed by EMF would not be inflationary

From Mr Paul Richards.

Sir, The UK proposals for a hard Ecu managed by a European Monetary Fund in Stage 2 would not be inflationary, contrary to Professor Tim Congdon's claims ("Defence of the hard Ecu", December 11). He confuses a number of points arising from my article ("More questions and answers on the hard Ecu", December 3).

First, any increase in hard Ecu money represented by EMF liabilities would be matched by a reduction in national currency. EMF exercise of the repurchase requirement would enforce this.

Second, broad money denominated in hard Ecus, which would include any deposits with the commercial banking system, would be controlled by setting the level of hard Ecu interest rates, in the same way as broad money denominated in national currency is controlled by setting national interest rates. There would be no inconsistency between the use of this mechanism of control and the dependence of hard Ecu circulation on market choice.

Third, in setting hard Ecu interest rates, the national central bank governors represented on the board of the EMF would be constrained to run a tight monetary policy by the requirement not to devalue the hard Ecu against any national currency at ERM realignments.

Fourth, the preservation of the value of the hard Ecu would therefore be a higher priority for the EMF than the promotion of its use in substitution for national currencies. But success in the first one would be likely to lead to the spread of the second.

Finally, controlling broad money denominated in both Ecus and national currencies would in any event become increasingly important during the transition to monetary union: the October Rome communique states that the use of the Ecu is to be promoted in Stage 2. Adoption of the hard Ecu as the EC's common currency would enable the EMF to influence monetary conditions in hard Ecus directly, through changes in hard Ecu interest rates. By contrast the basket Ecu, which represents an average, could not influence conditions, and so would do nothing to promote convergence on low inflation.

Paul Richards,
10 Lower Thames Street, EC3

FINANCIAL TIMES
Wednesday December 19 1990

World Bank warns on official debt

By Michael Prowse in Washington

THE World Bank says there has been a "significant and unsustainable" rise in developing countries' reliance on official debt.

This has transferred risks from private to official creditors and left governments "correspondingly more exposed to policy slippages and adverse external developments," according to the Bank's latest assessment of the Third World debt crisis.

The report, published today, also warns that the Gulf crisis is imposing a "severe burden" on many developing countries and threatens to reverse modest progress in resolving long-standing debt problems.

Official creditors are supplying three quarters of debt-related net flows to developing countries, compared with one third in the early 1980s.

The share of official debt service in total debt service (payments of interest and amortisation) has risen to 37 per cent from 10 per cent in 1982.

The outstanding stock of long-term official debt has tripled to $521bn since 1980. Including the use of short-term International Monetary Fund (IMF) credit, official debt now accounts for 46 per cent of developing countries' total debt, up from 32 per cent in 1984.

The increased reliance on official creditors reflects private banks' decision to reduce their exposure to the Third World and the impact of official debt reduction initiatives, such as the plan named after Mr Nicholas Brady, the US Treasury secretary. Such schemes have reduced the commercial liabilities of developing countries while increasing the exposure of official creditors.

The bank also notes that dollar devaluation since 1985 has increased the stock of official credits proportionately more than private credits.

In addition, reductions in private debt because of debt-equity swaps have more than offset debt forgiveness and concessions for poor countries by the Paris Club of official creditors. The switch to official creditors has caused a marked change in the composition of aggregate resource flows to developing countries.

In 1989, official grants and net loans accounted for 67 per cent of such flows and foreign direct investment for 35 per cent. The contribution of net private lending was negligible.

This represents a "major shift from the dominance of commercial bank lending in the late 1970s and early 1980s" and a return to the pattern of flows prevailing in the 1960s and early 1970s.

The Bank says experience with previous debt crises suggests there will be no early resumption of private lending. And while official flows and foreign direct investment can be expected to rise, they can play only a limited role in financing imports and investment in the longer term.

Developing countries will thus have to rely even more heavily on tough adjustment policies and on mobilising domestic savings.

Details, Page 4; Editorial Comment, Page 14

Brazil will 'partially lift' moratorium

By Christina Lamb in Rio de Janeiro and Stephen Fidler in London

BRAZIL will partially lift its 18-month debt moratorium, Ms Zelia Cardoso de Mello, finance minister, announced on Monday night.

The move, an apparent change of strategy, reflects Brazil's desperation to end its isolation from the international financial community, which has resulted in slashed credit lines for trade and inter-bank financing and delays in obtaining loans from the World Bank.

For the first three months of next year, the Brazilian government will pay 30 per cent of the interest on the $8bn owed to commercial banks. Ms Cardoso described the $489m in payments to be made in the first quarter as "a goodwill gesture to show that we are interested in negotiating".

The decision to resume partial interest payments was conveyed to the advisory committee of creditor banks in New York late on Monday by Mr Jorio Dauster, Brazil's chief debt negotiator. But there was no change in the basic proposal to convert debt into long-term bonds, which the committee has already discounted as "a non-starter".

Bankers responded negatively to the new stance.

Mr William Rhodes, Citicorp's senior executive and chairman of the advisory committee, said: "While we welcome the intention to resume partial payments, banks are disappointed that the government of Brazil still refuses to deal with the interest arrears. A wide gap remains between the bank advisory committee and the government."

Jorio Dauster: conveyed message to creditor banks

Zelia Cardoso: described payments as goodwill turn

Brazil's interest arrears to commercial banks total $8.3bn. Banks want some reduction in this before talks on a broad debt restructuring advance.

Bankers said that, according to the proposal, only small payments would be made in January and February, leaving 85 per cent of the $489m to be paid by the end of March.

They said Brazil's controversial position – that it would not deal with arrears ahead of a broad agreement and that it would not make payments in 1990 – was unaltered by the proposal.

Mr Marcus Caramuro, spokesman for the Brazilian Economy Ministry, said yesterday: "This is not a change in tactics but simply an advance in negotiations to which we hope the banks will respond."

He likened the proposal to the situation in Argentina, which is making partial interest payments in advance of a final agreement and is receiving finances from the International Monetary Fund and Paris Club.

Brazil signed a letter of intent with the IMF in September for a $2bn standby facility but this was never approved by the board because of lack of progress on the debt negotiations. It is now regarded as a "dead letter" because of the country's failure to meet targets. But Brazil is anxious for a new agreement to be reached rapidly to ease its passage through the current economic crisis.

However, the Brazilian government's negotiating position has been hampered by a Senate resolution, passed on Monday night, which prevents any payment being made on arrears without the legislature's approval, a move ironically initiated by the government to secure national consensus.

Nato warns Soviets on conventional pact

By Robert Mauthner, Diplomatic Correspondent, in Brussels

NATO ministers yesterday warned the Soviet Union that the submission by Moscow of incorrect data on its military forces and equipment in Europe could delay ratification of last month's agreement on conventional forces cuts in Europe.

"We will seek full implementation by all parties of the CFE treaty and, in particular, the timely resolution by the Soviet Union of serious problems relating to data and treaty interpretation," a communiqué issued after a two-day Nato Council meeting here said.

This was "an essential condition" for early ratification of the treaty.

The Nato ministers had agreed that new global security risks facing the Alliance, such as the Gulf crisis, might require joint action even if such threats came from outside the Nato area.

They delayed an expected decision on a mandate for new US-Soviet negotiations on the reduction of short-range nuclear weapons in Europe. This was in spite of an earlier undertaking that such talks would open shortly after the conclusion of the conventional forces agreement, signed in Paris last month.

Mr Manfred Wörner, the Nato secretary-general, said it would take another six months to work out such a mandate and, probably, up to another year before negotiations between the US and the Soviet Union would start.

On the controversial issue of an "out of area" role for Nato, France strongly disagreed with such an extension of its activities, but the final communiqué issued after a two-day meeting of the Nato Council specifically referred to such a possibility.

The proliferation of weapons of mass destruction had implications for the allies' security, the communiqué said. This appeared to be a direct reference to the development by Iraq of nuclear and chemical weapons.

Ministers said they would consult closely onproblems which posed "a threat to our common interests".

On Soviet military strength, US officials have complained that the Soviet Union had declared some 20,000 items of military equipment fewer than were supposed to be covered by the CFE treaty.

Mr James Baker, the US secretary of state, said yesterday that the US was particularly concerned about the non-declaration of infantry units assigned to the Soviet Navy. Moscow does not consider that these fall under the treaty because it does not cover naval forces.

The Soviet Union has promised to look into these alleged discrepancies and report back to the US, Mr Baker said.

"I think the Soviets themselves acknowledge that, if such discrepancies exist, it would be serious."

Mr Baker said that the US complaints did not directly concern military equipment withdrawn by the Soviet Union from Europe to east of the Urals instead of being destroyed. Though this was a political problem, it did not legally break the CFE treaty, he said.

France and the US disagreed over how far Nato should develop its diplomatic dialogue with the Soviet Union and other states of central and eastern Europe. During a sharp exchange yesterday, Mr Roland Dumas, French foreign minister, told Mr Baker, it was up to individual member states to develop such a relationship.

Mr Baker said that the need for Nato to direct its attention to "a wider arc" of security challenges was discussed in the context of Nato's current strategy review due to be completed by next spring.

OECD says Japanese growth will dip to 4.1% next year

By Stefan Wagstyl in Tokyo

ECONOMIC growth in Japan will slow next year from a likely annual rate of 6.3 per cent in 1990 to 4.1 per cent, according to the Organisation for Economic Co-operation and Development.

However, in its annual review of Japan, published today, the organisation is more positive than some recent studies by private sector economists in Tokyo which have forecast a sharper decline in economic growth. Continuing growth in spending by Japanese consumers will generate increases in output and in employment, the OECD says.

On the prescriptive side, the report urges that Japan should continue its efforts to create a more open economy by further deregulation, particularly in agriculture and in the land market.

The OECD is less concerned than some analysts about the impact of this year's stock market plunge on the Japanese economy. The fall to some extent "helped curtail excess domestic demand which had been partly stimulated by the low cost of equity financing".

However, the OECD shares the Japanese monetary authorities' concern about inflation. Labour shortages are pushing up costs, says the report, boosting the annual rate of increase in consumer prices from 2.3 per cent in 1989 to a likely 3 per cent this year and 3.3 per cent in 1991. Rapid growth in the money supply, accelerated by deregulation, strong demand, high capacity use and tight labour markets have "created an environment prone to future inflation".

An increase in oil prices caused by the Gulf crisis has aggravated the situation. "Care should be taken to signal to the private sector by whatever means necessary that the oil price increase will not be allowed to trigger a wage-price spiral," says the OECD.

Business investment is slowing from very high levels achieved in 1989, with the rate of increase likely to fall from 10.6 per cent this year to 4.6 per cent in 1991. Companies are expected to switch from boosting capacity to investments in product development.

The OECD urges Japan to take advantage of economic slowdowns in the next 10 years to boost public investment.

The report approves of the Japanese government's plan to make a priority of investments in improving living standards.

As for economic relations with other countries, the OECD expects the speed of the the decline in the external surplus to slow sharply despite the rise in oil prices.

The current account surplus next year could be $38bn, against a likely $43bn for 1990 and $57.2bn in 1989. Boosted by a halt in the rise of the yen, exports will grow sharply.

The increase in oil prices which has followed following the Gulf crisis should is expected to have less effect than the oil shocks of the 1970s.

OECD Economic Surveys: Japan. OECD, 2, rue Andre-Pascal, 75775 Paris, France.

THE LEX COLUMN

A clearer view for the Fed

Yesterday's confirmation of a mild downtrend in US inflation will have come at an opportune time for the last meeting this year of the FOMC to set US monetary policy. The November data on rising unemployment and falling industrial output already presented the case for further easing. If the Fed can now convince itself that inflation is no longer a pressing concern, the way should be clear to the first cut in the US discount rate since the summer of 1986.

One thing which might cast doubt on this would be a further sharp fall in the dollar. But it is a sign of how times have changed that yesterday's other big US statistic, a sharp jump in the October trade deficit to $11.6bn, should have left the foreign exchange markets unmoved. Just three years ago a record $17.6bn figure knocked more than 3 per cent off the dollar by the turn of the year. This time, the markets appear to see the figure as an aberration, representing goods ordered before the scale of the recession was apparent.

Even if the dollar declines modestly from here, it seems unlikely that the Fed will worry much about inflationary implications. Its first priority now appears to be not sound money but the health of the banking system.

As for the US government, a weak dollar doubtless has positive attractions. The UK may be obliged by ERM membership to take recession on the chin. But for the US a spot of depreciation offers the opportunity, if not to export recession, at least to import the growth of others.

NFC

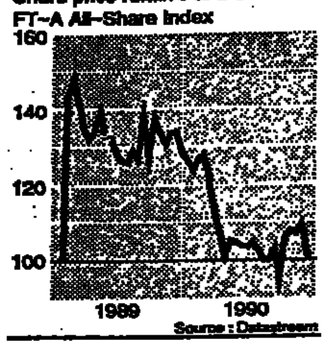
The picture of deepening UK recession is still complicated by the apparent ability of some companies in recession-prone sectors like transport to defy the odds. Hence the 6 per cent jump in NFC's share price yesterday in response to news of a healthy rise in profits for the year.

But if the company's gloomy trading statement, particularly regarding the US, had been given more weight than the headline annual results, the shares might have gone lower.

At odds with the 11 per cent rise in earnings per share and the persuasive rise in the dividend was an abundance of caution in the small print. This suggests that although NFC has to date succeeded in avoiding the economic downturn much better than rivals across the transport and property sectors, its toughest test is to come.

NFC

Share price relative to the FT–A All–Share Index



8The results have been held back by lower profits from the transport division, but also by an accelerated charge against computer software costs and a doubling of redundancy costs to £8m. The travel agency business continued to lose money, if at a reduced rate. The increased contribution from property is impressive, but the shortage of commercial tenants means this area will struggle this year; the company will do well to make up in its other divisions what could be a shortfall of £10m-£15m.

On the other hand, NFC can point to conservative accounting policies and reduced overall gearing of 24 per cent despite increased acquisition activity and the buying in of shares in related companies. It also has exposure to the trendy waste management business, and lacks property-related borrowings. But at best profits this year should be unchanged, which is why the shares are on a prospective p/e of only 9 and a historic yield of over 6 per cent.

Christies Int'l

Christies' shares stormed up in 1989 and the first half of 1990 on the strength of the art market and Mr Michael Ashcroft's bold but maladroit stake building. They have since stormed down again, thanks to the Gulf crisis and the deepening recession in the art market. Yesterday's poor sales figures for the autumn auction season suggest the great bull run in the shares in the late 1980s was a mistake from the outset.

Until about 1986, the Christies share price performance seems to have been a very British story: respectable but not exciting. Perhaps it should have stayed that way. The company's virtues – the brand name, the near duopoly with Sotheby's, the very strong cash flow and the conservatively-valued real estate in St James's – have never been in doubt. Given what happened to Sotheby's in the early 1980s, there has always been the possibility of a takeover bid crystallising one day. But it needed more than that to justify the huge lift-off the shares enjoyed between 1988 and midsummer 1990.

A boom in buying by a new international class of collectors, mainly interested only in post-1875 art, was surely not the kind of phenomenon which could have lasted for long. Old Master and jewellery sales are still doing well, which is a sign that Christies has a resilient hard-core business which can survive a mini-crisis like its decision to shed 146 staff. But at 7 per cent, the running yield on the shares may not yet reflect the sluggish trading which could be ahead in 1991.

Water companies

Now that all the water companies have delivered their interim results, it is pertinent to ask whether the market's attitude to the sector has been too complacent. There were no nasties in the assorted figures, but the dividend increases may have helped to move the sector's rating to an unjustifiably high level. The package has outperformed the FT-Actuaries All-Share index by 50 per cent since flotation and a further 4 per cent since Thames started the reporting round in late October.

The trouble is that the dividend rises have owed more to jockeying by the rival companies than to any fundamental performance. Anglian defied the trend without its share price suffering, but most other companies were keenly fighting a possibly ill-advised dividend war.

What should concern investors is the possibility that the short-term benefits of higher than expected dividend increases will be undermined by the regulator's determination to distribute any undue rewards to consumers. The full review of the pricing formula due in 1995 might well be preceded by ad hoc interventions by the regulator to enforce clawbacks in profits. Investors need to ask themselves what level of returns the regulator will be prepared to allow. Given that dividend pay-outs are subsiding across the market as a whole, it seems plausible to argue that the water sector should be preparing to exercise more restraint.

Soviet Union left without a proper budget for 1991

Continued from Page 1

Russia, the country's largest republic is unhappy both with the amounts sought by the centre and the taxation to levy the money. Other republics are following the example set by Russia.

Estonia, the smallest Soviet republic, says, for example, that it will give the centre no more than Rbs100m, compared to the Rbs600m which is expected of it.

Clearly the republics' ability to control taxation revenue will be a key element in their battle with Moscow. The major source of taxation comes from Soviet enterprises, which pay a turnover tax and which will also be charged a unified rate of 45 per cent of their profits from January.

In the past, central ministries simply helped themselves to varying amounts of enterprises' profits, but the new corporate tax provides for 22 per cent of enterprise profits to go to the central government, with another 23 per cent destined for republican budgets.

A third source of taxation is income tax, but most of this goes to local authorities, with the rest to central and republican governments.

A Russian government source said that Russia wanted both a lower rate of taxation for its enterprises plus reduced central government spending.

While a spokesman said the Soviet government could still control tax revenue because enterprises paid their taxes into centrally controlled banks, Russia has already declared sovereignty over banks on its territory.

At the other end of the scale, Estonia is setting up a parallel banking system of its own, which means that it now has two central banks, one loyal to Moscow and the other favouring Estonian independence.

EC postpones meeting with Iraqi foreign minister

Continued from Page 1

Baghdad expressed disappointment that the EC had not shown "a more independent policy, away from US pressure, vis-à-vis the Middle East's various issues."

A Foreign Ministry official said: "It is in the interests of a unified Europe to deal with an independent Arab decision rather than giving in to American hegemony over the countries of the region."

The conciliatory tone of Iraq's response appeared to be aimed at keeping Iraq's lines open to the EC in the hope that some sort of EC initiative might arise as an alternative to the US approach.

Yesterday, Turkish television quoted Iraqi president Saddam Hussein as ruling out peace talks with the US if Washington's aim was simply to reiterate UN resolutions rejected by Baghdad.

"Any Iraqi concession on Kuwait is out of the question before the Palestinian problem is solved," Mr Saddam said in his Turkish television interview, which was conducted on Friday.

"We do not go to the US to get directives from them," he said. "If Bush is to repeat the UN resolutions to us, then there's no point in our going there."

Iraq, meanwhile, told a senior Soviet envoy that all Soviet technicians were free to leave the country even if their contracts had not run out.

Baghdad radio quoted Mr Hussein Kamel, the minister of industry and military industrialisation who is also acting oil minister, as telling Mr Vladimir Mordvinov, the Soviet Foreign Trade Ministry's first undersecretary: "Iraq allows Soviet experts working in the country to leave as they wish irrespective of the date of termination of their contracts."

Fresh attacks on Gorbachev

Continued from Page 1

Mr Rafik Nishanov, one of his closest advisers on the issue, said later that "each Soviet citizen must say whether he is in favour, or against, a union of federal states". Details of the treaty would be worked out by a commission of all the republics willing to participate.

He insisted that if a republic voted to leave it would have to follow the lengthy secession process laid down in Soviet law this year. That provides for a transition period of up to five years, and talks on compensation both for the Soviet state, and individuals wishing to leave.

Mr Gorbachev intends to make secession an extraordinarily difficult for any republic but he is taking a big gamble in calling a referendum, with republics like Georgia and Lithuania dominated by secessionist sentiment. In Estonia and Latvia, with large Russian minorities, a clear result might be in doubt.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	12	54	Berlin	C	-1	30	Caracas	C	27	81	Faro	C	15	59	Islamabad	C	16	61
Algiers	–	–	–	Biarritz	S	6	43	Casablanca	C	15	59	Florence	S	8	46	Istanbul	F	12	54
Amsterdam	C	0	32	Bombay	F	27	81	Chicago	C	1	34	Frankfurt	Sn	0	32	Jakarta	R	32	90
Athens	C	16	61	Bordeaux	C	2	36	Cologne	Sn	0	32	Geneva	C	0	32	Jersey	C	3	37
Bahrain	–	–	–	Boulogne	C	1	34	Copenhagen	C	0	32	Gibraltar	C	14	57	Johannesburg	S	24	75
Bangkok	F	33	91	Brussels	C	-1	30	Corfu	F	12	54	Glasgow	C	3	37	Lima	F	23	73
Barcelona	F	8	46	Budapest	Sn	1	34	Dallas	F	10	50	Helsinki	–	–	–	Lisbon	C	10	50
Beirut	–	–	–	Buenos Aires	R	24	75	Dublin	C	3	37	Hong Kong	S	22	72	London	Sn	1	34
Belfast	C	3	37	Cairo	S	21	70	Dubrovnik	F	9	48	Innsbruck	S	-2	28	Los Angeles	S	8	46
Belgrade	Sn	2	36	Cape Town	C	17	63	Edinburgh	C	2	36	Inverness	S	4	39	Luxembourg	C	-2	28

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	C	16	61	Milan	F	3	37	Nicosia	S	20	68	Salzburg	C	-4	25	Tenerife	F	19	66
Madrid	S	8	46	Montreal	R	1	34	Oporto	C	8	46	San Francisco	S	6	43	Tokyo	S	10	50
Majorca	F	12	54	Moscow	F	-7	19	Oslo	C	2	36	Seoul	S	2	36	Toronto	C	4	39
Malaga	F	17	63	Munich	F	-4	25	Paris	C	1	34	Singapore	T	31	88	Tunis	S	14	57
Malta	S	15	59	Nairobi	C	24	75	Peking	S	6	43	Stockholm	Sn	0	32	Valencia	C	9	48
Manchester	C	1	34	Naples	C	11	52	Prague	C	-1	30	Strasbourg	C	1	34	Venice	F	5	41
Manila	F	32	90	Nassau	F	26	79	Reykjavik	Sn	-3	27	Sydney	S	37	99	Vienna	Sn	0	32
Melbourne	F	19	66	New Delhi	–	–	–	Rhodes	S	17	63	Taipei	C	25	77	Warsaw	C	-1	30
Mexico City	F	26	79	New York	R	7	45	Rio de Janeiro	F	32	89	Tangier	F	16	61	Washington	C	8	46
Miami	S	21	70	Nice	F	8	46	Rome	F	8	46	Tel Aviv	S	19	66	Zurich	F	-3	27

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

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INSIDE

Great Atlantic in Isosceles debt talks

Great Atlantic & Pacific Tea Company, the large US food retailer, yesterday indicated it may participate in the refinancing of Isosceles, the UK company which took over the Gateway supermarket chain in a £2bn-plus leveraged buy-out last year. Talks over the refinancing were continuing last night in London. Meanwhile, Great Atlantic announced virtually flat profits in the third quarter. Nikki Tait reports on the results. Page 20

Battling to treat US ulcers

Astra, Sweden's leading pharmaceutical company, headed by Hakan Mogren (left), believes it is on the verge of an important breakthrough in the US. It is expecting the final go-ahead from the US Food and Drug Administration in authorising use of its anti peptic ulcer drug, Losec, for the initial treatment of duodenal and gastric ulcers. This will intensify its competitive battle with the British company Glaxo and its Zantac ulcer drug in a lucrative market. Page 18

Triplex Lloyd falls 18.9%

Interim profits at Triplex Lloyd, the Midlands engineering and building products group, declined by 18.9 per cent before tax, following a big fall in property gains and the sale of a steel casting business. The disposal was more than offset by capital spending in the power division and acquisitions in Canada and the UK. Page 22

Pyrrhic victory in iodine battle

Soquimich, the leading Chilean producer of iodine, can claim only a pyrrhic victory after a year-long international price war. Its battle to grab market share and keep out new competitors has succeeded but in the process the company has been forced to close down two long-established mining towns in Chile and to sack 1,100 workers. At the heart of the company's drive is a $238m five-year equipment modernisation plan designed to replace much of the group's outdated plant and equipment (above). Page 26

Happy days in Hellas

It has been a tumultuous year for the Athens Stock Exchange. The general index surged by more than 300 per cent and then lost more than half its gains. But the year is ending on a note of subdued optimism amid the conservative government's decision to launch a three-year economic stabilisation programme. Kerin Hope opens a series on the most significant markets of 1990 with a review of the year on the Athens Stock Exchange. Back Page

CH Industrials shares fall 30%

Recessionary pressures are taking their toll of CH Industrials, the diversified holding group. The group saw its share price fall by 30 per cent after it announced a collapse in profits from £7.31m ($14m) to £334,000, for the six months to September 29. "There is no doubt that the trading outlook for for the second six months will remain difficult," warned Tim Hearley, executive chairman. Andrew Bolger reports. Page 22

Market Statistics

Base lending rates	38	London traded options	21
Benchmark Govt bonds	29	London tradit options	21
FT-A Indices	21	Managed fund service	34-37
FT int bond svce	28	Money markets	38
Financial futures	38	World commodity prices	26
Foreign exchanges	38	World stock mkt indices	38
London recent issues	21	UK dividends announced	22
London share service	32-33		

Companies in this section

A & P	20	Gold Greenlees	24
Asea Brown Boveri	18	Hongkong Bank Canada	20
Bank Bumiputra	20	IMI	23
Birmingham Mint	23	Lloyds Bank	18
Booker	22	Lloyds Chemists	24
Braithwaite	23	MTM	22
Brunning	22	Midland Radio	22
CH Industrials	23	Moorgate Inv	23
Devenish (JA)	24	Reuter	22
Dragonair	20	Triplex Lloyd	22
Echo Bay Mines	18	Wessex Water	22

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Porsche	731	+	13
Falls			
Aachener Mn	685	−	25
Heidelberger	1070	−	70
Kali & Salz	148.5	−	8.5
Metallgesell	440	−	8
Schmalbach	305	−	9.8
NEW YORK ($)			
Rises			
Am Airlines	$40\frac{1}{2}$	+	$\frac{7}{8}$
AT&T	$31\frac{3}{8}$	+	$\frac{3}{4}$
Citicorp	$14\frac{3}{8}$	+	$\frac{3}{8}$
Manu Hanover	$20\frac{7}{8}$	+	$1\frac{7}{8}$
Falls			
Amer Express	$21\frac{3}{8}$	−	$\frac{1}{2}$
NCR	$87\frac{1}{4}$	−	$\frac{1}{2}$

PARIS (FFr)			
Falls			
BNP(certInv)	226.2	−	13.8
Bongrain	2300	−	80
Chargeurs	652	−	35
Eurocom	660	−	25
GTM Entrepose	318	−	24
Simco	505	−	18
TOKYO (Yen)			
Rises			
Mitsui Co	808	+	21
S'tomo Metal	471	+	6
Tokyo Elec Pwr	3780	+	80
Falls			
Isuzu	623	−	38
Komori	509	−	36
M'sui Shpbldg	565	−	5

LONDON(Pence)			
Rises			
AtlanticSec.	23	+	5
Birm'ham Mint	94	+	9
Courtney Pope	39	+	3
Devenish (JA)	144	+	10
ERF	153	+	30
Gold Greenlees	58	+	7
Honeysuckle	23	+	4
Mosaic Invs	270	+	15
NFC	124	+	8
Sturge	244	+	15
Wessex Water	256	+	8
Falls			
Aegis	134	−	11
CH Indls	16	−	7
Glaxo	854	−	11
Midland Bank	198	−	11
Shandwick	63	−	10
Sotheby's	538	−	80
Wickes	39	−	7

Continental forced to call EGM over Pirelli deal

By Andrew Fisher in Frankfurt

CONTINENTAL, the German tyre company, has been forced to call an extraordinary general meeting for early next year at the request of a group of small shareholders to try to clarify the situation arising from the disputed merger proposal presented by Pirelli of Italy.

The German company's move was prompted by the call from Mr Alberto Vicari, a Wiesbaden-based shareholder, for an EGM to be held so that shareholders could have a chance to make up their own minds whether Continental should remain independent or not. The meeting will take place by mid-March at the latest.

Continental, headed by chief executive Horst Urban, has rejected the financial terms of the Pirelli proposal, though it has said it remains willing to talk. Pirelli, which said it had nothing to do with Mr Vicari's action, has made clear that the figures in the document accompanying its proposal were meant more as a basis for discussion than as definite terms.

Mr Vicari, a German citizen who represents 5 per cent of the Continental shares held by himself and others, announced last week that he wanted an EGM. He said two alternative motions should be proposed: either that the company remain independent and thus strengthen its statutes accordingly; or that the way should be opened for a merger and that the 5 per cent voting restriction be removed.

Mr Vicari said he was firmly opposed to the terms of the Pirelli proposal, which as is understood to date – the Italian company has not spelt out the details of its merger concept publicly – and suggested instead a merger which would not mean Continental increasing its debt.

Pirelli has proposed that Continental buy its tyre assets as part of a merger. Mr Vicari said the best way would be for Pirelli to exchange its tyre business for Continental shares. In fact, Pirelli decided against this as it could lead to legal delays.

● Pirelli Prodotti Diversificati, a diversified holding company within the Pirelli group, said yesterday it had acquired a controlling stake in the K-Way group, a French sportswear manufacturer, through STL Superga. Financial details of the acquisition were not disclosed, AP-DJ reports.

The K-Way group, best known for its lines of winter and outdoors clothing, also includes Eider, maker of the High-Tech Actionwear line of outdoors clothes.

K-Way will also be an official supplier to the 1992 Winter Olympics in Albertville.

VW pays Pta20bn for remaining SEAT stake

By Kevin Done in London

VOLKSWAGEN of Germany, the leading European car producer, yesterday completed the acquisition of a 99.98 per cent stake in SEAT, the formerly state-owned Spanish car maker.

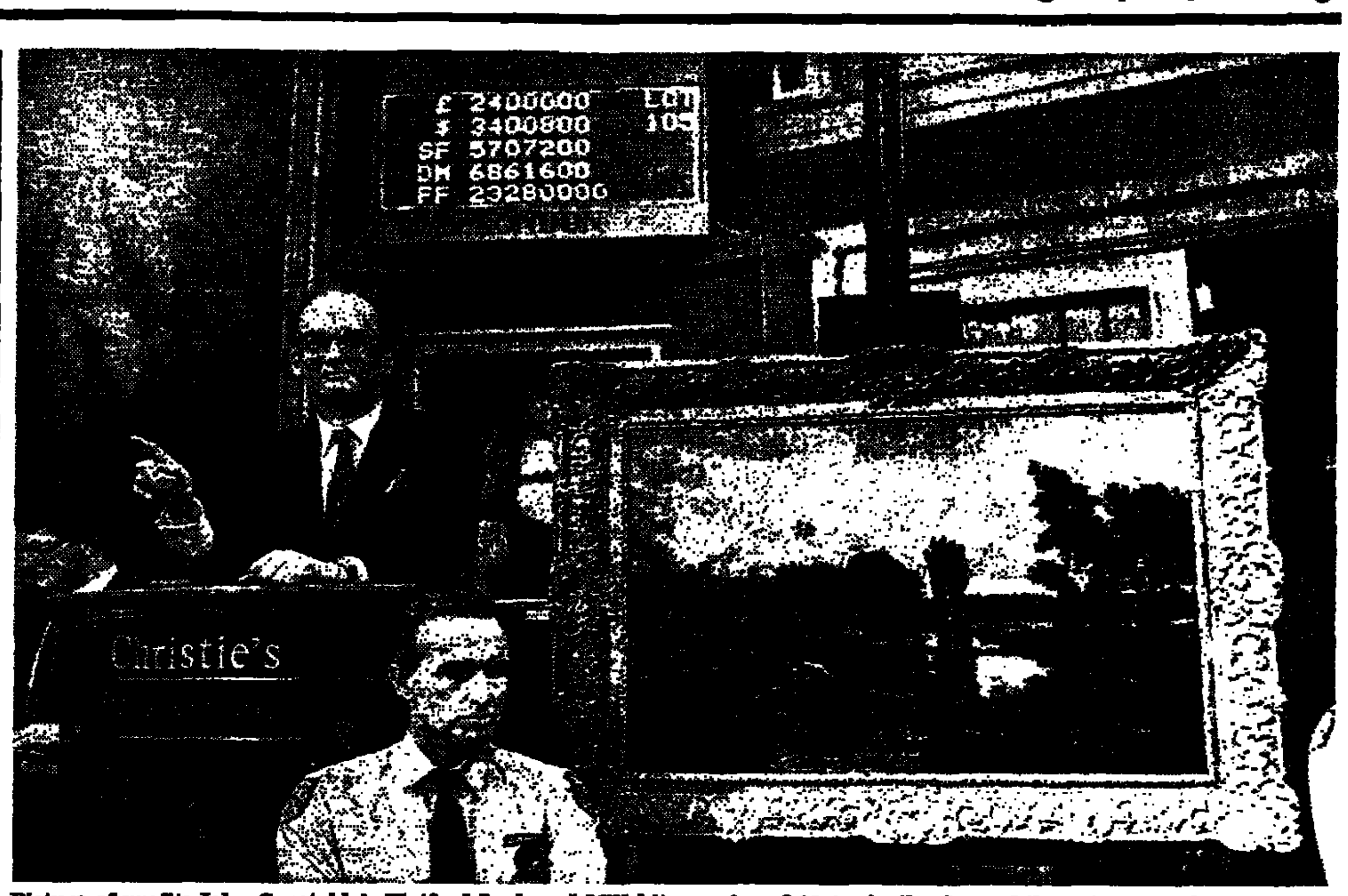
VW bought a 75 per cent stake in SEAT from Instituto Nacional de Industria (INI), the Spanish state holding company, in two stages in 1986 for Pta60bn ($631m).

After injecting $207m in fresh equity capital at the end of 1988, Volkswagen increased its stake to 76 per cent. Yesterday it acquired 19.98m shares at Pta1,000 per share or a total of Pta19.98bn bringing its stake to 99.98 per cent. The remaining shares are owned by private shareholders.

The total purchase price for SEAT amounts to almost Pta80bn.

VW's first contract with SEAT was in 1982 in the form of a limited seven-year production licencing agreement for the small volume assembly of certain VW models – notably the Polo – at SEAT's Pamplona plant.

SEAT has since become an integral part of the VW group. It has been returned to profitability, and it is now in the midst of an ambitious Pta670bn 10-year investment programme.



Picture of profit: John Constable's Flatford Lock and Mill hits a price of £2.4m in the days of the art market boom

Gavel falls on Christies jobs

Clare Pearson reports on cost-cutting at the international auction house

Christies International, the auction house, yesterday announced its first big cuts in staffing since the dark days of recession in 1974. This came hard on the heels of similar news last week from its arch rival, Sotheby's.

Christies said it was cutting 146 jobs worldwide, including 60 in the UK, to reduce staff costs by about £4m ($7.7m) or 10 per cent. The jobs range from security staff and clerks to valuers.

David Tyler, finance director, yesterday stressed Christies was not abandoning any areas of expertise though it would seek to merge departments where it could. "But where we, say, had three experts in a particular area, now we will have two," he said.

The cost-cutting does not stop at the lower ranks. Senior managers and main board directors are also accepting a base salary freeze. Together with much lower profits to share between them, the freeze could substantially reduce the emoluments of the board which last year awarded £190,000 to the highest-paid director.

But a cut of some £4m is not going to make much of a dent on costs of sales which during the first half rose to more than £69m (£57m), as Christies geared up for further rapid growth in the market. That compared with turnover of £105.19m (£90.11m).

At the interim stage, these costs can be divided as follows: £45.88m for auction and print, comprising principally salaries, catalogues and advertising; and £23.82m (£20.77m) for items such as administrative staff, rents and rates.

Mr Tyler says that because so many of these costs are variable, there is a lot of scope for further reductions. Insurance costs, for instance, vary with the estimated value of sales, catalogues can be produced on a less lavish scale, and so on.

He declined to put a precise figure on the total reduction in costs he envisaged, but indicated it was about 10 per cent.

Analysts expect that cut in costs to be enough to keep the company in profit throughout 1991, on the basis that there will be no improvement in sales. However, forecast pre-tax profits of £10m to £20m will seem light years away from 1989's £66.94m (£42.48m).

Unlike Sotheby's, which has announced the closure of several smaller offices, Christies has no such retrenchment plans. It is financially stronger, with no debt in its balance sheet. That should also mean that it will not be driven to much greater staff-cutting measures – a move which would risk undermining the reputation that makes up so much of its value.

In theory, then, Christies can batten down the hatches and wait until the next stage of the cycle.

However, since the company's profits vary immediately with sales levels, it is at least an uneasy situation for shareholders contemplating a possible further deterioration in the art market in 1991.

Perhaps none will be more nervous than ADT. The electronic security and auction group owns more than 20 per cent of the shares and was still increasing its stake this year before the shares hit a high above 400p. Yesterday the shares closed 8p down at 159p.

Lex, Page 16

CHRISTIE'S worldwide sales for the autumn season totalled £334m ($648m), a fall of 50 per cent on the record £675m in the same months of 1989.

The slowdown in the art market in the past three months is concentrated in a few sectors. Impressionist and Modern art produce 40 per cent of Christie's turnover, and a higher proportion of its profits. In the autumn of 1989, this sector brought in £309m in sales; in the last three months, £85m.

The Japanese bought less this autumn and American buyers scarcely featured at the leading sales. Despite Christie's advice, many sellers insisted on high reserve prices and there was a sharp rise in unsold lots. In the main London sale of Impressionist and Modern art in early December, which totalled £10.3m, only 24 of the 63 lots were sold. The corresponding auction of 1989 brought in £76.5m.

Contemporary art did almost as badly, and there were disastrous auctions of Scandinavian and Belgian paintings. Demand held up quite well in Old Master pictures, furniture, and silver. Christie's has other consolations: turnover was still at the level of 1987-88, and results from rival Sotheby's will be equally depressing later this week.

Antony Thorncroft

Leisure investments of up to £160m led to Polly collapse

By Richard Waters in London

TENS OF millions of pounds of Polly Peck International's money was paid out during the summer as up-front payments for proposed leisure developments on which work has not yet started, it has emerged.

The greenfield developments, in northern Cyprus and Turkey, form a substantial part of recent Polly Peck property investments which administrators put at over £100m, and which could be as high as £160m. The investments led directly to the group's cash crisis and eventual collapse in the ensuing weeks.

Polly Peck invested the money some time between the beginning of July and the end of September, by which time the company's liquidity position was under considerable strain.

The investments were made later than the suspicious payments which formed the basis of the 14 theft charges brought against Mr Asil Nadir, Polly Peck's chairman and chief executive, at the weekend.

During the three summer months, the group's cash balances in northern Cyprus were run down by £160m. Most, if not all, of this was used to fund the leisure developments comprising proposed hotels, a holiday village, and other developments.

On October 3, Polly Peck announced it was halting payments to its bankers due to liquidity problems. Three weeks later it went into administration – after Mr Nadir, failed to come up with the £70m in cash which bankers had demanded to keep the group afloat.

The greenfield investments have come to light only in recent days, following the breakthrough made by one of the administrators – Mr Richard Stone of Coopers & Lybrand – in gaining access to Polly Peck's subsidiaries in northern Cyprus. An injunction on the island had earlier barred access to the companies, making it impossible to trace around £200m of Polly Peck cash in the area.

Mr Stone is understood to have passed information about the property investments to Mr Christopher Morris, another of the administrators, who was appointed by the court to investigate the possibility of claims against Mr Nadir and his fellow directors, as well as Polly Peck's auditors and advisers.

Mr Morris is believed to have been investigating whether any of Mr Nadir's actions may have contributed to the company going into administration.

Meanwhile, relations between the administrators and the northern Cypriot government appeared yesterday to be thawing. Mr Stone said he had received contact from a high level in the island's government indicating a willingness to co-operate with the administration – in marked contrast to earlier warnings from Cypriot officials that Polly Peck's assets would be nationalised.

Murray Pezim is barred from trading on Vancouver exchange

By Bernard Simon in Toronto

MR MURRAY PEZIM, the colourful Canadian mining promoter whose name is virtually synonymous with the Vancouver stock exchange, has been barred from trading on the VSE for a year.

The British Columbia Securities Commission imposed the ban on Mr Pezim and two other mining executives for allowing two companies under their control, Prime Resources and Calpine Resources, to contravene disclosure requirements and mislead the VSE on a number of occasions last year.

Prime and Calpine were the most heavily traded stocks on the VSE in 1989 thanks to their involvement in the discovery of gold on the Eskay Creek property in northern British Columbia.

The charges against Mr Pezim and his two colleagues, Mr John Ivany and Mr Lawrence Page, include allegations that Prime and Calpine failed to make timely disclosure of drilling results at Eskay Creek, and that the three men re-priced their share options in the two companies during the drilling programme.

The commission said: "it is damaging to public confidence and prejudicial to the public interest when such significant market participants contravene basic and fundamental rules."

The three were also ordered to pay two-thirds of the costs incurred by the commission and the superintendent of brokers in probing the case. The one-year trading ban takes effect on January 1.

Mr Pezim, 69, is credited with spearheading the financing and development of the rich Hemlo gold field in north-west Ontario in the early 1980s.

NFC boosts pre-tax profits 8% to £97.7m

By David Owen in London

LOWER interest costs and a reduced contribution to its employee profit-sharing scheme enabled NFC, the former National Freight Consortium, to report an 8 per cent improvement to £97.7m (£185.6m) in annual pre-tax profits.

This was marginally higher than the directors' "best view" projection of £97m and was achieved in spite of a change in depreciation policy and doubled redundancy costs.

Turnover for the 53 weeks to October 6 was ahead 9 per cent at £1.63bn, compared with £1.49bn in the year to September 30 1989. Taxable profits in the year-earlier period were £90.2m.

Operating profits were down 5 per cent at £108.7m, with the transport division, which contributed only £27.3m (£37.2m), the principal source of weakness.

Logistics, property and home services each contributed slightly more than a year-earlier at £31.5m, £26.8m and £25.5m respectively.

Earnings per share advanced 11 per cent to 13.6p (12.2p). A final dividend of 1.6p was recommended, making a total of 5.65p - up 14 per cent.

Lex, Page 17

Yorkshire TV may make bid

YORKSHIRE Television may bid for its neighbour, Tyne Tees Television, in next year's competitive tenders for commercial television licences, if government rules are confirmed, writes Raymond Snoddy in London.

The British government has made clear that the nine largest ITV companies, including Yorkshire, will not be able to control each other. Tyne Tees has been placed in the group of smaller companies that can be controlled, and the government is likely to allow bids from neighbouring companies. Another option would be for Yorkshire and Tyne Tees to agree to merge.

Echo Bay writes off $39m as gold producers struggle

By Bernard Simon in Toronto

A GROWING number of North American gold producers are running into trouble on mining projects which are unable to pay their way at prevailing bullion prices.

Echo Bay Mines of Edmonton said yesterday that it is writing off US$39.7m of its investment in the Robinson gold mine in Nevada and other properties in the Alta Bay joint venture, in which it has a 40 per cent equity interest.

Echo Bay has exchanged its interest in the Robinson lease for a royalty on future production at the mine plus US$2m in cash from its joint venture partner, Alta Gold of Salt Lake City.

The Robinson mine, which produced 78,800 ounces of gold last year, has been running at a loss for nearly two years. Its cash production costs were US$330/oz in the first nine months of this year, plus US$39/oz in royalties paid to the US mining group Kennecott, which holds a lease on the property. Output at the entire Alta Bay project, which includes four other smaller properties, has fallen well short of production targets.

The Robinson mine is one of many new North American producers whose success was predicated between 1986 and 1988 on a prevailing bullion price above $400/oz and expectations among gold mining optimists that it would move even higher. With the price now hovering at about $380, several companies are finding that both their management and financial resources have been over-extended.

The owners of the new Colomac mine in the Northwest Territories wrote off US$149.5m of their investment last month as a result of lower-than-expected ore grades and bullion prices, as well as the strong Canadian dollar. Earlier this week, North American Metals of Vancouver announced a C$24m writedown of its half-share in the Golden Bear mine in north-west British Columbia, which began operations last January.

Corona of Toronto earlier this year wrote off the entire C$161m value of its Nickel Plate gold mine in British Columbia.

Mr John Lydall, mining analyst at First Marathon Securities in Toronto, said that "a number of these operations assigned ore reserves at higher gold prices. With lower prices, mining engineers are finding out that the gold is not there in economically mineable form".

As a result, the share prices of Canadian gold producers have fallen sharply in recent months. Echo Bay, for example, was trading yesterday at C$9 on the Toronto stock exchange, down from a 1990 peak of C$24.88.

ABB to buy German energy unit

By Andrew Fisher in Frankfurt

ASEA Brown Boveri (ABB), the Swedish-Swiss engineering group, will today sign an agreement to buy Energiebau Dresden, an east German energy concern which employs 2,100 people.

ABB is one of the companies which showed early interest in investing in east Germany, singling out energy production, electricity supply, industrial automation, environmental technology, and transport as the sectors in which it was most interested.

Details of the Energiebau Dresden transaction will be announced at a joint press conference in east Berlin with the Treuhand, the agency in charge of privatising east German industry. The deal will be signed by ABB's large west German unit, based in Mannheim.

ABB said earlier this year it hoped eventually to achieve a turnover of some DM2bn ($1.3m)in the five new states formerly known as East Germany. It said it was planning to form joint operations with about 20 east German companies, including Bergmann-Borsig (power stations) and the Cottbus automation plant manufacturer.

ABB's proposed investment follows last week's confirmation that Opel, the German car subsidiary of General Motors of the US, was to invest DM1bn in an east German venture. Volkswagen has begun a DM5bn programme, while Mercedes-Benz plans a DM1bn truck plant.

Lloyds Bank to sell further SMH stake

By Katharine Campbell in Frankfurt

LLOYDS Bank of the UK is selling a further stake in Schröder Münchmeyer Hengst, its German investment banking subsidiary, cementing the Frankfurt institution's credentials as a private German bank by creating 19 new partners.

Rescued from near-collapse by Lloyds in the early 1980s, SMH has successfully regenerated its business, particularly on the merchant banking side. Two years ago, Lloyds sold just under 5 per cent of its 100 per cent holding to five liable partners to allow the bank to cultivate a private and specifically German banking ethos.

Mr Eberhard Weiershäuser, co-chairman of SMH, said the creation of the new partnerships, which together represent "under 5 per cent" of the bank's equity, was unique in the German financial world.

The partners, the youngest of whom is 37, and who, unlike the original five, do not bear personal liability, may in time be able to increase their share. New partners may also be added, after three years with the bank, but Lloyds has said it wishes to retain at least 75 per cent of SMH.

NEWS IN BRIEF

Agnelli parent net up 39% at halfway

ISTITUTO Finanziario Industriale (IFI), the financial holding company of the Agnelli family, reported a 39 per cent rise in first-half 1990-91 net profits to L205bn ($183m), against L147bn in the corresponding period last year, writes Haig Simonian.

Dividends from associated companies amounted to a net L168bn, while capital gains from the sale of activities and other interests were almost L80bn gross of tax. The book value of IFI's total investment portfolio in the period rose by a net L186bn to L1,078bn. Given the margin of over L2,500bn between book and market values, the current market value of IFI's quoted holdings now stands at well over L3,500bn.

■ Trading in shares of Amer, the diversified Finnish group, was suspended temporarily ahead of an announcement by Mr Heikki O. Salonen, chairman and chief executive, that he would resign the post from the end of February because of ill-health, Reuter reports.

The group said he would retain an advisory capacity and look after the group's international relations. Mr Raimo Taivalkoski will take over as chairman.

■ Aussedat Rey, the French paper company owned by International Paper of the US, said it would spend about FFr2bn ($400m) to double the capacity of its paper pulp factory in Saillat, central France, Reuter reports. The new unit will begin production in the second quarter of 1993.

■ Danisco, the Danish food and beverages, food ingredients and packaging group, reported profits before extraordinary items up by 15 per cent to DKr531m ($92.7m) in the half year ended October, writes Hilary Barnes.

After extraordinary income of DKr181m, mainly from the sale of the I. Krüger water purification company, pre-tax profits were ahead 82 per cent to DKr712m.

Astra drug on course to inject dose of optimism

Robert Taylor examines how the Swedish company is making impressive inroads into world markets

ASTRA, Sweden's biggest pharmaceutical company and one of the few bright lights on the gloomy Stockholm bourse this winter, is looking forward to further market breakthroughs in the sale of its successful anti-peptic ulcer drug, Losec, before the end of the year.

A decision is imminent from the US Food and Drug Administration to give the final go-ahead for its use in the initial treatment of duodenal as well as gastric ulcers in the all-important US market. This follows a recommendation for approval last May by an advisory committee of the FDA. The drug has been used for the treatment of acute ulcers in the US since September 1989.

The further breakthrough for Astra in the US seems likely to intensify its already fierce competitive battle with the British company Glaxo and its Zantac ulcer drug in a lucrative market. Yesterday, Astra's free B shares rose SKr6 to SKr494 while Glaxo shares fell 11p to £8.54.

This week, at a seminar for analysts in Malmo organised by Astra, it was suggested that Zantac's world sales were levelling off though it still remained far ahead of Losec in the markets where the drugs compete. Attacks on Losec's efficacy may continue sporadically, but Astra is increasingly confident it has a winner.

Next week, the company also confidently expects to win approval from the authorities in Japan for the marketing and sale of Losec to begin next spring. Astra is already prepared for its launch in that market. At the end of 1988, it acquired Hoei Pharmaceuticals in Japan through its partly-owned subsidiary Fujisawa-Astra as a means of increasing its marketing capacity ready for the launch of new drug products in the Japanese market.

But it is the impending US decision, seen now by Astra as a mere formality, that could help bring important changes in the company.

Mr Hakan Mogren, president, said the company was in the midst of "intensive negotiations" with Merck in the US on what their future relationship should be after the go-ahead is given to the wider application of Losec in the US.

Hakan Mogren: 'our ambitions are long-term'

Under the terms of a 1982 agreement between the two companies, Merck undertook to collaborate with Astra's Swedish research centres and help to register and market Astra products in the US.

According to the first stage of the agreement, Astra receives licensing income on sales but the deal also provides for forms of co-operation during the next stage which will be determined by the sales volume attained.

"The growth of Losec has been very fast, more than we expected a year ago," Mr Mogren admitted.

Since its launch in February 1988 in Sweden, Losec has made impressive inroads into world markets. It has secured regulatory approval in 48 countries and there have been more than 7m patient treatments with the drug. Growth has been particularly strong in Sweden, where it holds about 33 per cent of market share and in France, where penetration is now nearly a quarter.

Currently, Losec enjoys a 7 per cent share in the market and sales are increasing at a rate of 14 per cent a year, twice the rate of the overall gastrointestinal market and almost three times that of the total pharmaceutical market.

Astra has pursued a highly aggressive marketing offensive with Losec which reflects a clear shift in priorities inside the company. Mr Mogren said yesterday that it had increased its marketing costs by 35 per cent this year and would do so by the same amount in 1991.

"Our ambitions are long-term," he added. "Our products are vehicles in our marketing strategy in the build-up of the group. We used to be just a north European company, but we have the ambition now to become a truly international company. We have the chance to grow systematically and take the risk by doing so. We want to increase and develop in local markets where we are not yet strong enough."

Mr Mogren added that Astra is not looking for a mega-merger but talked of "restricted acquisitions to speed up sales in local markets."

At present Losec accounts for a fifth of Astra's sales and it is expected to increase its share in the next few years but Mr Mogren asserts: "We are not a one-drug company. We wish to specialise in different niches in the market."

Astra is keen to highlight its recent developments in both the cardiovascular and anti-asthma drug markets. The company has a high regard for Plendil, its cardiovascular drug which has already been launched in 20 countries. Its anti-asthma Bircanyl Turbuhaler and Pulmicort Turbuhaler, launched in Sweden in August 1987 and December 1988 respectively, have also both enjoyed rapid market growth in 24 countries.

Certainly the company looks in good shape for 1991. Over the first three quarters of this year profits before financial items climbed by 34 per cent to SKr1.84bn ($328m) from SKr1.37bn in the same period of 1989 while earnings per share after tax rose to SKr11.10 from SKr7.85, a growth of 41 per cent.

Mr Mogren is coy about next year's financial outlook but says with understatement: "It looks very promising."

London Stock Exchange, Page 31

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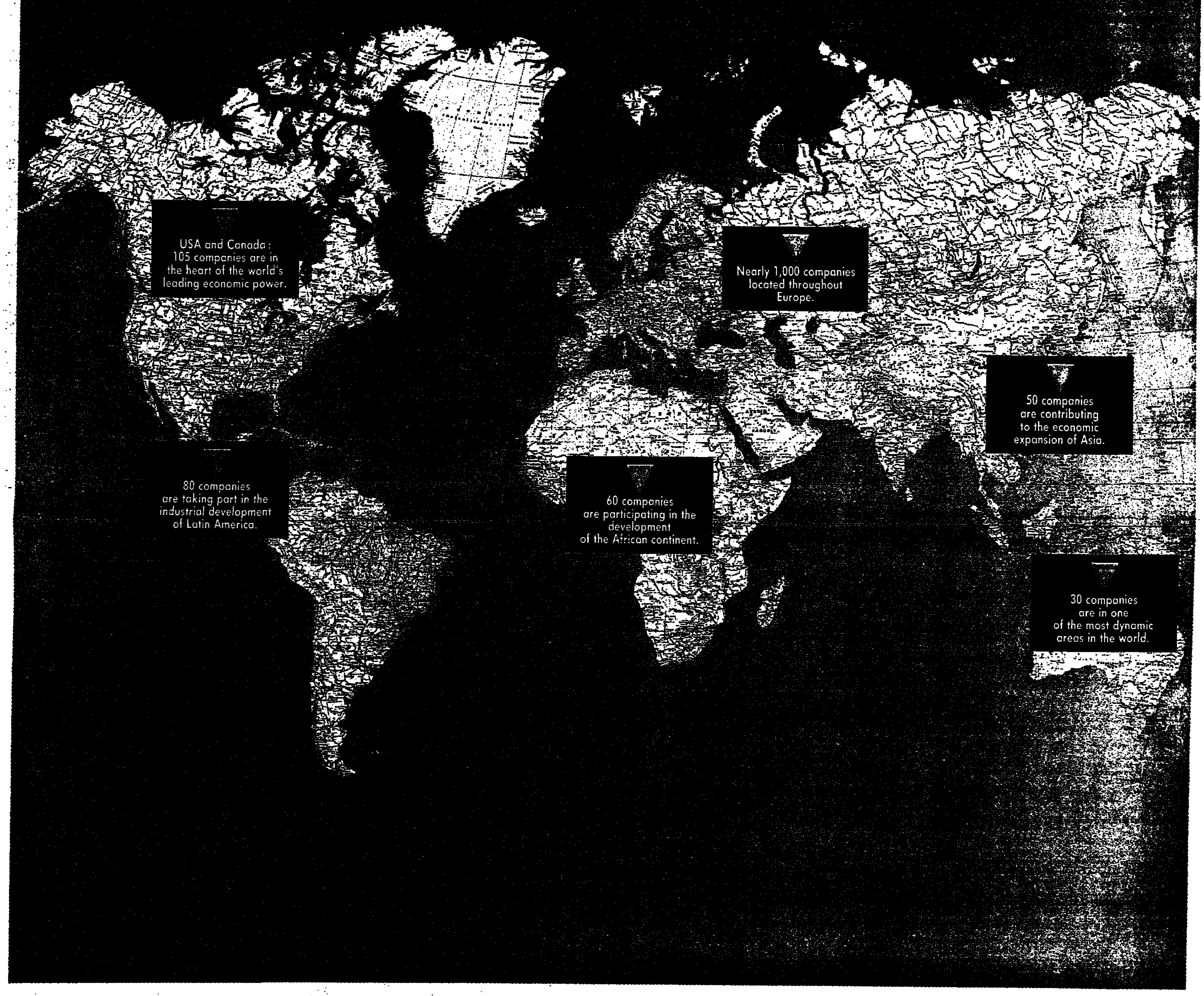
1st January 1991
We are there.



When 1991 begins, we'll be in all continents. In more than 100 countries. Actually, we've been in many of these countries for so long, we're part of their history. But our name is relatively unknown.
This is despite the fact that we're the world's first industrial group for communication systems. An international leader in energy, transport and electrical engineering services. A group with sales of £14.4 billion, making us one the world's largest industrial groups. A group that daily improves the lives of millions of people throughout the world.
So on January 1st we'll have a new name: CGE will become Alcatel Alsthom.

ALCATEL
ALSTHOM

Alcatel Alsthom. 54, rue La Boétie 75008 Paris, France

INTERNATIONAL COMPANIES AND FINANCE

Argentina to sell 150 state companies

By John Barham in Buenos Aires

ARGENTINA is to sell off some 150 federally-owned companies next year, in a continuation of its aggressive privatisation policies.

Mr José Roberto Dromi, public works and services minister, said the privatisations should be completed by late next year. The government had already sold seven companies since it took office in July 1989, he said.

SEGBA, the Buenos Aires electricity company, will be the first company to be sold in 1991. A recent government report said SEGBA was in a "critical" state because investments had fallen by 51 per cent and losses were running at close to US$30m a month.

Other companies listed for sale include OSN, the water company; Gas del Estado, a gas distributor; ELMA, a shipping line; and the port authority.

Concessions to operate oilfields, coal mines, federal highways and three railway lines will also be auctioned. The national mint, the Buenos Aires underground railway and the national grain board are also to be sold.

Mr Dromi also announced that the government was working on plans to privatise the entire energy sector, including YPF, the oil company, and Yacyretá, a major hydroelectric dam still under construction.

The government plans numerous changes in the privatisation process. Critics say previous privatisations suffered from improvisation, a lack of transparency, and a poorly designed regulatory framework. Mr Dromi said the new system would be announced by the end of February after close consultations with industry and unions.

However, the minister said he had already decided that each share issue would be handled by a team rather than by a single official. He also said the government would ensure that the companies were better managed while they were prepared for sale.

The companies sold this year were sorely neglected in the run-up to their privatisation.

Mr Dromi promised that the government would improve contacts with creditor banks to ensure that the privatisations go ahead more smoothly. Creditor banks often have to give their approval for privatisations, since loan contracts do not allow the debtor companies to sell assets without prior approval.

● President Fernando Collor de Mello of Brazil has authorised Mr Ozires Silva, the minister of infrastructure, to extinguish or privatise Lloyd Brasileiro, the ailing state-owned maritime transportation company.

Mr Ozires Silva met yesterday with representatives from the maritime navigation sector to decide which option he would take. Central to his decision will be an evaluation of Lloyd's maritime routes. Lloyd has debts of $300m. Irate creditors have seized nine of the company's ships in port.

US paper group to buy French operation

By Martin Dickson in New York

INTERNATIONAL Paper, the US forest products group which has been expanding rapidly through acquisitions in Europe, said it had agreed to buy the French operations of Georgia-Pacific, another leading US paper company, for FFr525m ($105m).

The sale includes Georgia-Pacific's interests in Papeteries Etienne, a linerboard and corrugating medium manufacturing operation at Arles; Papeteries d'Espaly and Emballages Laurent, two packaging plants at LePuy and Chalon-sur-Saone; and Ets Charles Grenier and Rhone Valley Packaging, two sheeting facilities at St Vallier and Beventin-Vaugris.

International Paper said the move was a logical expansion of its long-standing European container board converting business.

Georgia-Pacific said the operations were non-strategic and it would continue to focus on its US operations. The sale would help reduce its debt, which rose sharply earlier this year when it acquired the paper company Great Northern Nekoosa.

The move followed an announcement last Friday by International Paper that it planned to take a $212m pre-tax charge in the fourth quarter, mainly to cover the sale or liquidation of assets which are not strategically important or not making an adequate return.

The company would not reveal the assets earmarked for disposal, but said all of them were in the US. The move, it added, followed a detailed review of all activities.

Asset sales were expected to generate as much as $200m in after-tax proceeds over the next three years. The company estimated that the pre-tax earnings benefit from its actions would be $25m to $40m annually.

Another large US paper company, Mead Corporation, has announced a series of cost reduction and restructuring moves which, it said, would mean a one-time after-tax charge of $95m to 1990 earnings. It is also cutting its 1991 capital expenditure from $500m to $350m.

Mead said it would take a $49m charge to reflect a write-down of assets in its Mead Imaging division, and to establish a reserve to fund commitments to hardware partners.

Hongkong Bank Canada advances 40%

By Angus Foster

HONGKONG Bank of Canada has bucked the trend of its parent and fellow subsidiaries by announcing profits up by nearly 40 per cent for the year ended October 1990.

The bank, a subsidiary of the troubled Hongkong Bank, reported profits of C$48.7m (US$42.3m) compared with C$34.8m last year. The bank said the results were due to an improved performance and a larger asset base.

Consolidated assets rose 67.2 per cent to C$10.2bn. The steep rise in assets was partly due to the takeover earlier this year of the former Lloyds Bank Canada. Following the acquisition, Hongkong Bank of Canada became the largest foreign bank in the country.

The result contrasted sharply with recent profit announcements by the bank and its subsidiaries. In August, the Hongkong Bank reported a 20 per cent drop in profits, the first such drop for 20 years, while its US and Australian subsidiaries have lost money this year.

Meanwhile, senior government officials in Hong Kong yesterday moved to play down the significance of Hongkong Bank's decision to shift the domicile of its ultimate holding company to London.

A&P earnings virtually flat

By Nikki Tait in New York

GREAT ATLANTIC & Pacific Tea, the big US supermarket chain, yesterday reported third-quarter after-tax profits of $32.05m, virtually flat against the comparable three months of 1989.

This compares with $31.2m in the corresponding period a year ago, and translates into a rise of 2 cents in earnings per share, to 84 cents. Profits for the first nine months have increased from $112.2m to $119.4m.

The company, which owns 20 per cent of the UK retailer Isosceles, and whose outlets range from the traditional A&P supermarkets to Food Emporium, Waldbaum's and Farmer Jack stores, conceded that sales had been "very sluggish". It blamed the general economic conditions.

Turnover rose from $2.55bn to $2.61bn during the 12-week period to December 1. However, both the sales and profit figures include six weeks' contribution from the 69 Miracle Food Mart stores, which A&P acquired in late October.

Jim Woods: favours more managerial input at Isosceles

A&P said the cost of financing its Isosceles stake dented earnings by around 5 cents a share during the three-month period, although this factored into the 1989 figures as well, so comparisons are not affected.

The board is currently discussing the long-awaited refinancing plan for Isosceles. Last summer, A&P was haggling for more management input at Isosceles. Mr Jim Woods, group chairman, indicated that if this did not happen his company would not contribute to any fresh capital injection.

● Carter Hawley Hale, the heavily-indebted Californian department store chain, reported a slightly larger net loss of $14.9m in the first quarter of its year to November 3.

The results were hit by a $35m charge for "realigning" operations, but benefit from a $30m gain on the sale of the Thalhimers subsidiary. Interest fell from $43m to $34.6m.

Dragonair expands in China

DRAGONAIR, the fledgling Hong Kong airline controlled by UK, Hong Kong and Chinese interests, is opening four more offices in China, writes Angus Foster in Hong Kong.

This is part of a plan for the airline to become a feeder carrier into China to serve Cathay Pacific's hub in Hong Kong.

In January, Cathay Pacific and China International Trust and Investment Corporation (CITIC), one of Peking's largest foreign investment companies, took control of the loss-making Dragonair.

The two airlines have since been co-operating, and Dragonair has taken over Cathay Pacific's China routes.

Macy to raise $119m with new shares

By Nikki Tait

R. H. Macy, the highly leveraged US department store group, said that its existing investors had agreed to subscribe for $119m of new preferred stock in its private equity offering.

This falls short of the $150m which Macy said it planned to raise last month.

However, the company added that it had also agreed in principle that an affiliate of Sir Run Run Shaw, a Hong Kong investor who does not currently have any interest in the US group, should subscribe for a further $25m of stock.

In addition, the investor's affiliates would be entitled to acquire a further $25m of shares at the same $31.81 price before March 31 next year.

Separately, a further $18.6m of series II preferred stock is being sold to a number of shopping centre developers.

Macy, which intends to use the money to repurchase its subordinated debt, declined to elaborate on which of its existing investors had been prepared to invest new money into the company.

● Bramalea, a large Toronto-based property developer, has written off C$115m (US$100m) from the value of its land holdings, giving it a loss of C$68.7m or 95 cents a share for the year ended October 31, writes Robert Gibbens in Montreal.

The company, which is controlled by the Peter and Edward Bronfman interests through Trizec, earned a peak $64.8m or 88 cents a share in fiscal 1989. Revenues were $972m in fiscal 1990, down 15 per cent.

Bramalea has a $6bn portfolio of property assets, including residential and commercial buildings, shopping centres, and a large land bank.

Operating profit in fiscal 1990 was $51.5m, down 21 per cent, because of depressed home sales in Toronto and southern California. Most of the write-down concerned property acquired in the Toronto area nearly two years ago for an estimated $1bn.

Malaysian bank back in black after restructure

By Lim Siong Hoon in Kuala Lumpur

BANK Bumiputra, Malaysia's second largest bank, has reversed from years of losses to report a M$77m (US$28m) after-tax profit for the 12 months ended March 1990.

The group's accumulated losses stood at M$1.52bn last year. These led Bumiputra to restructure its equity and raise an additional M$1.15bn in new funds.

The bank's pre-tax profit for last year was M$80m, compared with the previous pre-tax loss of M$1.04bn. The recovery stemmed mostly from a sharp fall in total expenditures, from M$1.43bn to M$433m.

Bad and doubtful debt provisioning fell 85 per cent from M$842m to M$130m, while "other expenses" dropped also by 85 per cent from M$325m to M$49m. Bad debts written off in the year amounted to M$29m.

● Two Malaysian banks will soon join seven other banking groups to be listed on the Kuala Lumpur stock exchange as a result of a restructuring of the financial sector. Ban Hin Lee and Hock Hua, two regional banks, are seeking listings.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on December 18

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	100½	100⅞	-¼	8.59
ALBERTA PROVINCE 9 3/8 95	600	103⅛	103¼	+⅛	8.49
AUSTRIA 8 1/2 00	400	98⅞	98⅞	+⅛	8.78
BANK OF TOKYO 8 3/8 96	100	97½	98	+½	8.97
BELGIUM 9 1/8 92	400	101½	101⅞		8.13
BFCE 7 3/4 97	150	96	96½		8.60
BNP 8 5/8 94	300	101	101½	+⅛	8.27
BP CAPITAL 9 5/8 93	150	102¼	103¼	+½	8.39
CANADA 9 96	1000	102⅞	103¼		8.28
CARCO 9 1/4 96	650	98¼	98¾		9.64
CCCE 9 1/4 95	300	102⅞	103¼		8.39
COUNCIL EUROPE 8 96	100	97½	98	-⅛	8.56
CREDIT FONCIER 9 1/2 99	300	103⅞	104¼	+⅛	8.81
DENMARK 0 98	250	52⅛	52⅞		8.84
DENMARK 8 1/4 94	150	99⅞	100⅛	+⅛	8.31
ECSC 8 1/4 96	193	98⅝	99	+⅛	8.55
EEC 7 1/4 93	250	98⅜	98⅞		7.99
EIB 7 3/4 96	250	97	97½	+⅛	8.43
EIB 10 97	250	106¼	106⅝		8.65
ELEC DE FRANCE 9 98	200	101⅝	102⅛		8.68
EUROFIMA 9 1/4 96	100	102⅝	103¼	+⅛	8.59
EXPORT DEV CORP 9 1/2 98	150	103⅜	103⅞		8.81
FINLAND 7 7/8 97	200	95½	96	+⅛	8.85
FINNISH EXPORT 9 3/8 95	200	103⅛	103⅝	+⅛	8.52
FORD MOTOR CREDIT 9 1/2 93	300	101¼	101⅝	+⅛	8.96
GEN ELEC CAPITAL 9 3/8 96	300	102⅛	102⅝	-⅛	8.82
GMAC 9 1/8 96	200	99	99½	+⅛	9.36
HALIFAX 9 1/2 93	200	102⅛	102⅝	+⅛	8.48
IBM WORLD TRADE 7 5/8 93	150	97¼	98⅛	+⅛	8.52
IND BK JAPAN FIN 7 7/8 97	200	94⅞	95⅛		8.98
INTER AMER DEV 7 5/8 96	200	95⅛	95⅞		8.64
ITALY 8 1/2 94	1500	100⅞	101	+⅛	8.25
JAPAN DEV BK 8 94	150	99¼	99⅝	+⅛	8.23
KANSAI ELEC PWR 10 96	350	104¼	104⅝		8.96
LTCB 8 5/8 93	150	100	100½		8.59
NEW ZEALAND 8 93	100	99¼	99⅝	+⅛	8.31
NIPPON CRED BK 9 3/4 93	150	102⅞	103¼	+⅛	8.59
NIPPON TEL & TEL 9 3/8 95	200	102⅞	103¼		8.59
NORDIC INV BANK 9 93	200	101⅞	102⅛	+⅛	8.11
ONTARIO HYDRO 11 5/8 94	200	107⅞	108⅛	-1	8.90
OSTER KONTROLLBANK 8 1/8 93	200	100⅛	100⅝		8.03
PETRO-CANADA 7 1/4 96	200	94⅛	94⅞	+⅛	8.61
PRUDENTIAL RLTY SECS 0 99	365.216	48⅞	49¼	+⅛	9.31
QUEBEC HYDRO 9 3/4 98	150	102⅞	103¼		9.23
QUEBEC PROV 9 98	200	99⅞	100¼		9.03
SAINSBURY 9 1/8 96	150	101½	102	+⅛	8.77
SAS 10 99	200	101⅝	102⅛	+⅛	9.69
SBAB 9 1/2 95	500	103¼	103⅝		8.56
STATE BK STH AUST 9 1/4 93	100	101½	101⅞		8.43
SUMITOMO BK CAP MKT 9 3/8 93	150	102	102⅛	+⅛	8.36
SWEDEN 8 1/8 94	150	99¼	100	+⅛	8.39
SWEDISH EXPORT 9 5/8 93	100	102⅞	103¼		8.17
TOKYO METROPOLIS 8 1/4 96	200	98⅛	98⅞		8.61
WORLD BANK 8 3/8 99	1500	99¼	99⅝	+⅛	8.70
WORLD BANK 8 3/4 97	1500	101⅝	102	+⅛	8.55
XEROX CORPN 8 3/8 96	100	96⅛	97⅛	+2½	9.20

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	93⅞	94⅞		9.30
KREDIETCORP 7 93 LFr	1000	93¼	94¼		10.00
WORLD BANK 8 96 LFr	1000	95¼	96¼	+1¼	9.14
AMRO BANK 6 1/4 92 Fl	150	94½	95½		9.88
RABOBANK 5 3/4 93 Fl	150	92¼	93		9.81
ALBERTA PROVINCE 10 92 C$	500	97⅞	98⅛	-⅛	11.55
BCE INC 9 5/8 93 C$	300	95¼	96¼	-⅛	11.72
BELL CANADA 10 5/8 99 C$	150	95⅛	95⅞	-⅛	11.47
BRITISH COLUMBIA 9 1/4 93 C$	150	95⅛	96⅛	-⅛	11.56
EIB 10 1/8 98 C$	130	96	96½		10.93
FORD CREDIT CANADA 10 94 C$	100	95	95½		11.72
GENERAL ELECT CAP 10 1/4 93 C$	175	98⅛	98⅝		10.97
MONTREAL TRUSTCO 8 1/2 92 C$	100	95	96	+⅛	12.56
ONTARIO HYDRO 10 7/8 99 C$	500	97⅞	98⅛		11.28
QUEBEC PROV 10 1/2 98 C$	200	96	96½	+⅛	11.28
ROYAL TRUSTCO 10 1/4 93 C$	100	96¼	96⅝		12.11
SWEDEN 9 3/4 93 C$	250	97¼	97⅞		11.07
AUSTRIA 7 3/8 93 Ecu	125	93¼	94⅛	-⅛	10.83
CNT 7 3/8 93 Ecu	250	92⅞	93⅞	-⅛	11.07
CREDIT LYONNAIS 9 96 Ecu	125	92⅞	94⅛		10.78
DENMARK 7 5/8 96 Ecu	250	90⅛	90⅝	-⅛	10.08
EEC 7 5/8 94 Ecu	200	93½	94	-⅛	10.09
EIB 10 97 Ecu	1125	100⅞	100⅝	-⅛	9.87
ITALY 10 3/4 00 Ecu	1000	104⅛	104⅝	-⅛	9.97
SWEDEN 7 1/2 93 Ecu	250	91⅛	92⅛	-⅛	11.17
BMW FINANCE 14 1/2 92 A$	100	101⅞	102¼		12.83
COUNCIL EUROPE 13 93 A$	50	100⅞	101⅝	-⅛	12.45
EKSPORTFINANS 12 3/8 95 A$	75	100⅛	100⅞		12.21
FORD CRED AUST 13 93 A$	50	99⅞	100⅛		12.99
ICI 15 1/2 92 A$	100	102⅞	103⅛		13.11
MCDONALDS CANADA 15 95 A$	100	105¼	106¼	+⅛	13.16
NAT AUSTRALIA BANK 14 3/4 94 A$	150	104	104½	+⅛	13.07
STATE BK NSW 14 1/4 99 A$	100	108	108½	+⅛	12.66
VOLKSWAGEN INTL 15 94 A$	100	105	105½		12.98
ABBEY NATL TREAS 13 3/8 95 £	100	103	103½	-⅛	12.38
BARCLAYS JERSEY 9 1/2 93 £	250	94⅛	94⅝	+⅛	12.40
BRITISH GAS 12 3/4 95 £	150	103⅛	103⅝	-⅛	11.69
DEUTSCHE BK FIN 11 94 £	225	97⅝	98	-⅛	11.94
EIB 10 97 £	300	94	94½	-⅛	11.40
FORD CREDIT FUNDING 9 5/8 93 £	50	93⅞	94⅝	+⅛	12.91
INTER AMER DEV 11 3/8 95 £	75	99⅞	99⅝		11.55
ITALY 10 1/2 14 £	400	91¼	91½	-⅛	11.58
LAND SECS 9 1/2 07 £	200	78¼	78⅝	-⅛	12.70
LEEDS PERMANENT 9 1/4 93 £	50	93⅛	93⅞		12.49
NORWAY 10 1/2 94 £	200	96⅛	96⅝	-⅛	11.91
ROLLS-ROYCE 9 5/8 93 £	150	93⅛	93⅞	-⅛	12.77
SAINSBURY 10 7/8 93 £	100	97⅛	97⅝		12.53
SKANDINAVISKA ENSK 13 1/8 95 £	100	102½	103⅛	+½	12.29
WORLD BANK 11 1/4 95 £	100	99⅛	99½		11.47
ABBEY NATIONAL 0 96 NZ$	100	46⅛	48		14.13
TELECOM NZ O/S FIN 13 1/8 95 NZ$	75	99⅞	100⅜		13.34
AIDC 7 7/8 95 FFr	600	93⅛	94	-⅛	10.61
CREDIT LYONNAIS 10 95 FFr	2000	98⅛	98⅞	+⅛	10.47
EURATOM 7 5/8 98 FFr	500	86⅞	87⅛	+⅛	10.19

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 8 94	200	96½	96⅞	-⅛	9.13
AUSTRIA 6 98	400	83⅛	83⅝	-⅛	9.17
CNT 6 1/8 98	200	83	83⅛	-⅛	9.26
CREDIT FONCIER 6 3/4 99	500	86⅛	86⅝	-⅛	9.18
DEUTSCHE BK FIN 5 5/8 96	750	86	86		8.97
EEC 5 3/8 93	300	93⅛	93⅜	-⅛	9.21
EIB 6 1/8 96	300	87⅛	87⅝	-⅛	9.08
EIB 6 7/8 95	300	93⅛	93½	+1⅛	8.54
[illegible]					

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ABBEY NATIONAL 1/16 00 £	150	99.90	99.98	13.9375
ALBERTA PROVINCE 1/32 93	500	99.80	99.91	7.5938
ALLIANCE & LEICS 0.08 94 £	300	99.49	99.54	13.9550
BANCO ROMA 0.03 B1	200	91.66	92.58	8.4675
BANCO SANTO SPIRITO 93	200	99.50	99.60	8.4375
BELGIUM 1/16 97 DM	500	99.95	100.08	8.8125
BFCE -0.02 96	350	99.60	99.70	7.7925
BNP 05	300	97.40	97.50	8.8938
[illegible]				

SWISS FRANC STRAIGHTS [illegible]

YEN STRAIGHTS [illegible]

CONVERTIBLE BONDS [illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

German banks search for support for futures market

By **Katharine Campbell** in Frankfurt

GERMAN banks have been forced to search for ways of supporting their domestic futures market after an embarrassingly slow start to the bund contract, launched at the end of November in competition with London.

While the bund has become one of Liffe's most successful contracts, the German market had no indigenous instrument until the Deutsche Terminbörse (DTB) expanded its electronic options system to include futures from November 23.

German bankers were dismayed when only an average of 2,500 contracts changed hands each day (less than a tenth of Liffe's business) after the fanfare with which the new product had been launched and the public promises to bring at least a significant share of the business back home.

The costs of the exchange have been steep, and Frankfurt's pretensions as a leading financial centre could be undermined if even D-Mark denominated instruments continue to be traded more actively elsewhere.

Now Deutsche Bank has reversed its earlier decision to trade where the market is most liquid, and has confirmed its plans to "give preference" to the DTB. It denies that it is bringing anything like all its business home or that it is transferring any personnel.

Deutsche Bank's power in the German market generally, personified not least by the influence of Mr Rolf Breuer, managing board director at Deutsche and chairman of the DTB, is likely to ensure a certain following among the other German banks that have been using Liffe.

But most traders are reluctant to bow to "political" pressure, preferring to deal where they can make money, namely in the more liquid market.

In the opening half-hour yesterday, some 1,500 contracts were traded on the DTB, with only about a third of that volume put through Liffe. But the pattern soon reverted to normal, with volume for the day on the DTB 2,668, compared with 13,750 on Liffe, excluding the latter's after hours trading.

Treasuries rise on cut in discount rate

By **Nikki Tait** in New York and **Deborah Hargreaves** in London

US BOND prices rose sharply yesterday afternoon following the Federal Reserve's decision to cut the discount rate from 7 to 6.5 per cent, effective from today.

The timing of the move surprised the market; although it had been focusing on some possible easing in the wake of a meeting of the Federal Reserve's policy-making open market committee in Washington, it had not anticipated the discount rate action.

GOVERNMENT BONDS

In the wake of the Fed decision the benchmark 30-year Treasury long bond rose in mid-afternoon by almost one point to 107.07, to yield 8.097 per cent. At the shorter end of the market, the 7.75 per cent bonds due in November 1993, rose by ¾ to 101.07 where they yield 7.261 per cent.

With the Fed funds market on the strong side the authorities intervened yesterday morning, arranging $2bn of customer repurchase agreements, after Monday's $1.5bn. Fed funds were trading at 7$\frac{5}{16}$ when the Fed entered the market, against its target of 7¼.

■ THE yield on Japanese government bonds dipped through 7 per cent yesterday. As the market continues to defy economic fundamentals, according to some analysts, breaching such a psychological resistance point means the yield could go up a further 10 to 20 basis points.

The high point for the price of the 119 benchmark bond produced a yield of 6.99 per cent yesterday as the market traded in a narrow range and closed with a yield of 7.08 per cent.

The Japanese ministry of finance will postpone its monthly auction of bonds due to the holidays. The auction of December bonds will probably be on January 8 when the MoF is likely to sell Y700bn of bonds with a coupon that could be 6.5 per cent based on current prices.

■ IN the UK, gilt-edged securities showed some consolidation after the release of disappointing public sector borrowing requirement figures. But business was slow and the market kept in a narrow range. A long benchmark issue maturing in 2003/07 closed at 107$\frac{5}{32}$ to yield 10.66 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	08/92	102-29	-08/32	11.59	11.18	11.37
		9.000	03/00	90-12	-11/32	10.68	10.49	11.25
		9.000	10/08	89-30	-13/32	10.23	10.11	10.91
US TREASURY *		8.500	11/00	103-31	+21/32	7.91	7.94	8.29
		8.750	08/20	107-06	+28/32	8.10	8.10	8.44
JAPAN	No 119	4.800	6/99	88.1501	+0.446	7.03	7.08	7.70
	No 129	6.400	03/00	98.6808	+0.507	6.63	6.80	7.36
GERMANY		9.000	10/00	101.6000	-0.240	8.74	8.71	8.93
FRANCE	BTAN	9.000	11/95	95.5901	-0.035	10.17	10.12	10.28
	OAT	8.500	03/00	91.7900	+0.050	9.87	9.87	10.25
CANADA *		10.500	03/01	102.2000	+0.200	10.15	10.05	10.52
NETHERLANDS		9.250	11/00	101.4300	-0.140	9.02	9.01	9.14
AUSTRALIA		13.000	07/00	105.7428	+0.115	11.98	11.89	12.44
BELGIUM		10.000	08/00	100.1500	-0.100	9.98	9.70	9.75

London closing, *New York closing. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

US securities firms in talks on merger of 'back offices'

By **Martin Dickson**

SHEARSON Lehman Brothers and Prudential-Bache Securities, two of Wall Street's large securities firms, are discussing the possible merger of their "back office" operations, which process dealings in securities, in an effort to cut costs.

Wall Street executives stressed the talks were in a very preliminary stage and did not involve any wider plan to merge the two firms. Neither company would comment.

But, if the discussions are successful they could mark the start of a much larger rationalisation of back offices at many Wall Street firms, involving large cost savings and substantial job losses.

For the two companies would then try to farm out their combined services to other houses, or seek to bring in other firms as direct participants.

Back offices and their complex computer systems were expanded greatly in the bull market of the 1980s, but since the 1987 crash many have been operating far below capacity, leaving firms with very large fixed costs.

Shearson, which is owned by American Express, and Prudential-Bache – part of Prudential Insurance - are understood to have started talking some seven to eight months ago. Each have around 2,000 back office staff, and the combined cost savings from a link-up could be as much as $100m a year.

Some sources suggested yesterday the firms might be able to reach a very preliminary agreement in several weeks time, although they stressed that combining two separate computer systems would be extremely complex.

Mitsubishi Corp lifts size of programme

MITSUBISHI Corporation Finance has increased the size of its international medium-term note programme from $1.2bn to $2bn, the second rise in two months, writes Simon London. The programme was launched in September 1989, via Merrill Lynch.

Single market deadline threatened

By **Lucy Kellaway** in Brussels

THE INVESTMENT services directive and the related capital adequacy directive will top the list of priorities for Luxembourg when it takes over as president of the Council of Ministers in January.

If both controversial directives – on which progress has been very slow – are not agreed by June next year, the January 1993 deadline for the single market may be missed.

The Italian presidency has failed in its ambition to get the critical legislation for the single market in investment services tied up during its six-month term, and on Monday evening dropped the item from the lengthy agenda of the finance ministers meeting.

They will leave the debate at a sensitive stage – with member-states such as the UK, Germany and the Netherlands grumbling that recent moves have been backwards.

The new draft contains a highly restricted definition of a "regulated market" that would leave out all financial futures and other derivative markets.

It would also leave new markets, such as London's SEAQ International, outside the scope of the definition. The draft would allow – as the French and the southern member-states have consistently urged – member-states to insist that trades in certain securities had to be carried out on regulated markets.

An earlier commission compromise, that would have reduced this right to limited circumstances covering small investors and only a very small range of instruments and which would have allowed investors to opt out, has been emasculated in the latest draft from the presidency.

According to this, even the largest institutional investors would have to grant a legalistic permission for each trade carried out on their behalf on an unregulated market. There is also much disagreement on the question of price reporting and price transparency.

According to the British camp, the latest proposals confused the need to be able to establish an audit trail to detect suspicious deals, and the need for investors to have good price information at the time of dealing.

The latest proposals would probably mean that all trades on stock markets would have to be made fully transparent, even the very large ones. This would be a serious problem for the UK stock exchanges, where larger trades are often not reported.

Germany and the Netherlands are also opposed to the reporting rules, as the structure of their stock exchanges could make it physically impossible for them to comply.

There is more sign of progress on other issues. The Spanish had objected that the directive would give banks the right to become members of their stock exchange – something that is not now allowed. A way round this would be to give Spain more time to comply with this part of the directive.

IADB launches Y35bn issue

By **Simon London**

THE Inter-American Development Bank (IADB) maintained its recent high profile in the international bond market yesterday by launching a Y35bn issue, lead-managed by Daiwa, the only new issue of the day.

INTERNATIONAL BONDS

Yesterday's bond issue is classified as a "daimyo" deal in the nomenclature of the international bond markets, being a foreign bond launched into the Japanese domestic market but with a European listing and settlement through the Eurobond clearing houses.

Last week, the IADB launched three issues, a SFr150m 10-year issue, lead-managed by Credit Suisse, a DM300m 10-year issue via Deutsche Bank and a $300m five-year deal via J.P.Morgan.

The government shareholders of the bank are currently injecting new equity, which could open the way for a borrowing programme in excess of this year's total of $1.78bn or $1.98bn raised in 1989. Over the next four years, the bank should receive an additional $26.6bn of equity capital. Moreover, bond investors are receptive to paper from triple-A rated, sovereign-backed issuers in an environment characterised by worries over the credit quality of corporate issuers.

The IADB currently has around $9bn of paper outstanding in the international debt markets and total outstanding debt burden of $15bn. But this amounts to 75 per cent of capital contributed by triple-A rated governments and reserves before the recapitalisation takes effect, so there is scope for further issuance.

As the recent spate of issues demonstrate, the bank has in the past focused its borrowing programme on the traditional Euromarket currencies. However, next year the bank will be active in the market and will be looking at new funding opportunities in all currencies.

ENI plans L1,402bn floating rate deal

By **Haig Simonian** in Milan

ENI, the Italian state-owned energy and chemicals group, announced plans to issue one of the most innovative bonds ever seen on the Italian domestic market. It will finance ENI's acquisition of the Enimont chemicals joint venture.

The L1,402.5bn floating rate deal, to be issued in February, will be convertible throughout its life into shares of ENI's chemical activities in conjunction with any future privatisation. The coupon for the four-year paper will be linked to a basket of public-sector bonds and three-month lira interbank interest rates. The first six-monthly coupon has been set at 6.40 per cent gross.

The bond, which follows last month's decision by Montedison to drop out of the long-running battle for control of Enimont, will cover the cost of acquiring the 30 per cent of Enimont's shares floating in the market.

ENI is offering the minority shareholders the same price of L1,650 a share as bid for Montedison's 40 per cent stake in the company. ENI has about L2,000bn in bonds outstanding. Recent issues include fixed-rate bonds for L500bn maturing in 1994.

● Gemina, the financial services group controlled by Fiat, is buying Republic New York Capital Markets (Luxembourg), the Luxembourg-based capital markets subsidiary of Republic National Bank of New York.

CS First Boston completes restructuring

CS FIRST Boston, the troubled New York-based investment bank, has completed a financial restructuring which will inject $315m of extra equity capital into the firm and give CS Holding of Switzerland majority control, writes Martin Dickson in New York.

CS, the holding company for the commercial bank Credit Suisse, has raised its stake in CS First Boston from some 44.5 per cent to about 60 per cent by providing $300m of new equity.

CS First Boston yesterday revealed it had also raised a further $15m of equity from other institutional investors, but did not name them.

The restructuring also involves creating a special limited partnership which will contain most of CS First Boston's troubled "bridge" loans. It was Wall Street concern over these loans which necessitated the bail-out by CS Holding.

Moody's Investors Service, the credit rating agency, said yesterday it was confirming CS First Boston's long-term debt and commercial paper ratings, to reflect the recapitalisation and change of control. Moody's said CS First Boston would benefit from CS Holding's managerial and financial resources. But added it faced organisational and market-environment challenges that could crimp its future performance.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS — Tuesday December 18 1990 (Index No., Day's Change %, Est. Earnings Yield% (Max.), Gross Div. Yield% (Act at (25%)), Est. P/E Ratio (Net), xd adj. 1990 to date); Mon Dec 17 Index No.; Fri Dec 14 Index No.; Thu Dec 13 Index No.; Year ago (approx) Index No.

Figures in parentheses show number of stocks per section

	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1990 to date	Mon Dec 17 Index No.	Fri Dec 14 Index No.	Thu Dec 13 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (196)	721.17	-0.2	14.74	6.62	8.28	35.31	722.69	726.97	725.36	898.94
2 Building Materials (26)	[illegible]									
3 Contracting, Construction (34)	[illegible]									
4 Electricals (10)	[illegible]									
5 Electronics (26)	[illegible]									
6 Engineering-Aerospace (8)	[illegible]									
7 Engineering-General (48)	[illegible]									
8 Metals and Metal Forming (8)	[illegible]									
9 Motors (13)	[illegible]									
10 Other Industrial Materials (23)	[illegible]									
21 CONSUMER GROUP (174)	[illegible]									
22 Brewers and Distillers (22)	[illegible]									
25 Food Manufacturing (19)	[illegible]									
26 Food Retailing (16)	[illegible]									
27 Health and Household (18)	[illegible]									
29 Leisure (32)	[illegible]									
31 Packaging & Paper (12)	[illegible]									
32 Publishing & Printing (13)	[illegible]									
34 Stores (34)	[illegible]									
35 Textiles (12)	[illegible]									
40 OTHER GROUPS (105)	[illegible]									
41 Agencies (14)	[illegible]									
42 Chemicals (24)	[illegible]									
43 Conglomerates (13)	[illegible]									
44 Transport (13)	[illegible]									
45 Telephone Networks (3)	[illegible]									
47 Water (10)	[illegible]									
48 Miscellaneous (26)	[illegible]									
49 INDUSTRIAL GROUP (479)	[illegible]									
51 Oil & Gas (21)	[illegible]									
59 500 SHARE INDEX (500)	[illegible]									
61 FINANCIAL GROUP (102)	[illegible]									
62 Banks (9)	[illegible]									
65 Insurance (Life) (7)	[illegible]									
66 Insurance (Composite) (6)	[illegible]									
67 Insurance (Brokers) (8)	[illegible]									
68 Merchant Banks (7)	[illegible]									
69 Property (44)	[illegible]									
70 Other Financial (21)	[illegible]									
71 Investment Trusts (70)	[illegible]									
81 Overseas Traders (5)	[illegible]									
99 ALL-SHARE INDEX (677)	[illegible]									
FT-SE 100 SHARE INDEX♦	2161.8	-8.9	2165.7	2153.2	2157.9	2168.4	2172.2	2156.9	2165.8	2342.1

FIXED INTEREST

PRICE INDICES	Tue Dec 18	Day's change %	Mon Dec 17	xd adj. today	xd adj. 1990 to date
British Government					
1 Up to 5 years	119.94	-0.22	119.21	-	12.05
2 5-15 years	127.91	-0.24	128.22	-	13.42
3 Over 15 years	131.26	-0.25	131.99	-	11.90
4 Irredeemables	148.44	+0.21	148.13	-	13.70
5 All stocks	127.01	-0.23	127.31	-	12.96
Index-Linked					
6 Up to 5 years	156.94	-0.26	157.34	-	3.86
7 Over 5 years	144.22	-0.44	144.86	-	3.82
8 All stocks	145.06	-0.42	145.68	-	3.75
9 Debentures & Loans	103.87	+0.19	103.67	-	11.35
10 Preference	73.96	-0.15	74.07	-	6.66

AVERAGE GROSS REDEMPTION YIELDS		Tue Dec 18	Mon Dec 17	Year ago (approx.)
British Government				
1 Low Coupons	5 years	9.83	9.80	10.21
2	15 years	10.16	10.12	9.56
3	25 years	[illegible]	[illegible]	[illegible]
4 Medium Coupons	5 years	[illegible]	[illegible]	[illegible]
5	15 years	[illegible]	[illegible]	[illegible]
6	25 years	[illegible]	[illegible]	[illegible]
7 High Coupons	5 years	[illegible]	[illegible]	[illegible]
8	15 years	[illegible]	[illegible]	[illegible]
9	25 years	[illegible]	[illegible]	[illegible]
10 Irredeemables		[illegible]	[illegible]	[illegible]
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	[illegible]	[illegible]	[illegible]
12 Inflation rate 5%	Over 5 yrs.	[illegible]	[illegible]	[illegible]
13 Inflation rate 10%	Up to 5yrs.	[illegible]	[illegible]	[illegible]
14 Inflation rate 10%	Over 5 yrs.	[illegible]	[illegible]	[illegible]
15 Debs & Loans	5 years	[illegible]	[illegible]	[illegible]
16	15 years	[illegible]	[illegible]	[illegible]
17	25 years	[illegible]	[illegible]	[illegible]
18 Preference		[illegible]	[illegible]	[illegible]

♦ Opening index 2159.6; 9 am 2153.4; 10 am 2159.6; 11 am 2164.9; Noon 2162.4; 1 pm 2161.7; 2 pm 2161.0; 2.30 pm 2161.0; 3 pm 2162.1; 3.30 pm 2162.7; 4 pm 2162.2. [illegible] A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p. YEAR END RECLASSIFICATIONS: [illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	74	6
Corporations, Dominion and Foreign Bonds	1	4	16
Industrials	245	321	996
Financial and Properties	94	173	482
Oils	18	21	54
Plantations	0	2	8
Mines	12	39	102
Others	46	38	133
Totals	422	672	1,797

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

● First Dealings Dec. 17
● Last Dealings Jan. 4
● Last Declarations March 27
● For settlement April 8

For rate indications see end of London Share Service

Calls in Berisford Intl., Global Inv., Hawthorn Leslie, Regal Hotel and Tusker Res. Puts in Beazer, Ford Seller Morris Props. and Ratners.

LONDON TRADED OPTIONS

Trading volumes increased in the futures and options markets yesterday but prices moved cautiously through a fairly narrow range. Traders said that most of the business reflected shuffling of institutional positions ahead of the Christmas/year-end period, and also the expiry today of the December share options.

The FT-SE December future contract closed with a 17 point premium, with the fair value premium at around 6 – 10 points. There were further indications of switching from the December contract and into the March contract which comes into full play on January 1.

Among the share options, much of the interest was stimulated by a spate of tax losses deals in the underlying equities; equity traders were planning to sell overnight with a view to repurchase the following day often cover the overnight risk in the share options market.

There was demand for British Gas call options which were considered a suitably cheap substitute for the new electricity stocks; Gas topped the active options list with 2,104 contracts. Second in the list was Trusthouse Forte with 1,932 contracts. British Steel, the subject of heavy activity in the underlying security where they featured in a trading programme, rated third active with 1,270 contracts.

Other active contracts included Grand Metropolitan (946 contracts), Dixons (935) and Glaxo (641), the last-named attracting interest following a presentation to analysts by Astra, its Swedish rival. There was renewed interest in Lonrho (867 contracts) as traders continued to speculate on the prospects for a merger with Gencor, despite a denial from Gencor. The FT-SE Index option reported increased business of 5,297 contracts against 3,380.

[illegible]

UK COMPANY NEWS

Wessex Water is top of the interim dividend chart

By Andrew Hill

WESSEX WATER yesterday ended the water companies' interim results season with a bang – increasing its dividend 20 per cent to 6.1p, against a notional figure of 5.07p in the equivalent period.

It was the largest interim dividend rise by any of the 10 privatised water companies, and Wessex partly-paid shares rose 8p to 256p.

Other water share prices were marked up.

Wessex played down the significance of the increased dividend. The group stressed instead that it had kept the rise in operating expenditure down to 6 per cent in the six months to September 30, and pushed operating profits up from £24.6m to £31m.

Mr Nick Hood, Wessex chairman, said yesterday: "The dividend increase is based on a notional figure, which was imposed on us by Schroders [the government's adviser on privatisation]. We are not in a dividend race. In terms of pence paid per share we are in the middle of the pack."

Wessex's pre-tax profits rose from an actual figure of £8.8m in the first half of 1989-90, to £34.9m. Had the capital structure imposed for privatisation been in place at the beginning of April 1989, Wessex would have made pro forma pre-tax profits of £30.5m in the comparable period. Turnover increased from £73.6m to £83.5m, slightly ahead of the regulated rate of charge increases, and first-half earnings per share rose from a pro forma 28.1p to 32p.

Mr Hood said the group was on schedule with its capital expenditure and expected an efficiency saving of at least 4 per cent on this year's capital programme of £100m. He added that Wessex was intending to end disposal of sewage to sludge to sea by 1993, five years ahead of the government's deadline.

Last week Lyonnaise des Eaux Dumez, the French water and construction group, sold a 6 per cent stake in Wessex, which it bought just after dealing in the shares began last December.

Wessex said it was pleased the disposal had brought in new institutional investors. One buyer was the group's largest shareholder, Mercury Asset Management, which increased its holding from 12 per cent to 12.5 per cent, held in a number of managed funds.

See Lex

Triplex Lloyd 19% lower at £4.2m following disposal

By Jane Fuller

TRIPLEX LLOYD, the Midlands engineering and building products group, saw pre-tax profits fall by 18.9 per cent in the six months to September 30.

The decline, from £5.1m to £4.2m, followed the sale of a steel casting business, which contributed £830,000 last time, and a fall in property gains to £390,000 (£920,000).

Operating profit on continuing activities, excluding property, inched ahead to £5.3m (£5.1m). Interest charges were reduced to £1.5m (£1.7m).

Overall, turnover increased to £102.2m (£85.6m). The disposal was more than offset by acquisitions in Canada and the UK, notably a loss-making castings business called Sterling, and capital spending in the power division.

Mr James Doel, chairman, said cost cutting had included shedding 10 per cent of the near 5,000 workforce.

Job losses had been heaviest at Sterling and in building products. There were further losses to come.

The power division, which includes the Deritend castings subsidiaries, saw profit slip to £1.2m (£1.5m).

Mr Doel said benefits of investment and rationalisation would show through in the second half.

Building products also held steady at £1.2m in difficult markets. Electrical engineering profit was static at about £1m.

Capital spending is due to fall below £7m this year, compared with £10m.

Year-end gearing is expected to rise from 30 to 35 per cent.

Earnings per share fell to 6.6p (8.2p). The interim dividend is held at 2.5p.

● COMMENT

The near halving of Triplex Lloyd's share price between February and November reflected the gathering gloom about the UK sectors that provided most of its profits last year: automotive, building and property.

While anxiety continues to mount about the automotive and electrical engineering activities, the power division's order book is strong and significant profits remain to be taken from commercial building.

Contributions should also appear from Canada and Sterling. Assuming the management continues to be tough on costs (for all its ideologically sound themes), this adds up to a second-half improvement from core businesses. The big imponderable is the timing of property profits.

If £1m comes through, a pre-tax profit of £10m is forecast compared with £12.2m last year. While this seems a bit optimistic and gives a cheap-sounding prospective multiple of less than six, on a closing price of 93p, the modernised group is well positioned for any upturn.

A prospective yield of 10 per cent gives further comfort.

Booker continues Fitch disposals

By Clay Harris, Consumer Industries Editor

BOOKER yesterday continued its piecemeal disposals from Fitch Lovell, the smaller food group it bought in September, with the sale of WL Miller and Sons and Robirch, makers of meat pies, sausages and other savoury products, for £26.5m in cash.

The purchaser was Kerry Group, an Irish company which has UK sales of about £170m in poultry, meat and dairy products, and food ingredients. Its shares are traded on the USM.

On Friday, Booker sold Jusrol, Britain's largest manufacturer of frozen pastry, to Grand Metropolitan for £46.5m. Booker paid £290m in cash and shares for Fitch, which also brought about £25m of debt into the group.

Booker wanted Fitch primarily for its catering services unitand, to a lesser degree, for fish processing and distribution of chilled and frozen fish products. Mr Jonathan Taylor, chief executive, said the divestment programme was "on track".

Miller and Robirch together made pre-tax profits of £3.15m on sales of £72.5m in the year to April 29. Net tangible assets totalled £12.4m, excluding subsequent "substantial" capital investment at Robirch's Burton-on-Trent plant.

Kerry said it planned to retain both that facility and Miller's factory at Poole. The Irish company already has five manufacturing sites in Britain.

Murdoch quits board post at Reuters

By Maggie Urry

Mr Rupert Murdoch, chief executive of News Corporation, the international media group which is struggling to complete a A$7bn (£3.6bn) refinancing package needed to avoid a liquidity crisis, has resigned as a non-executive director of Reuters, the financial information and news company.

He said he was resigning "due to the pressure of other business commitments".

Last month it was announced that News Corporation had cut its stake in Reuters from 4.4 per cent to 1.9 per cent through the sale of 11.1m shares since August.

Sir Christopher Hogg, chairman of Reuters, said that Mr Murdoch had "made an outstanding contribution to the success and growth of Reuters" since he became a director in 1979.

Brunning makes £1.5m placing

Brunning, the marketing group, plans to raise £1.45m from a placing of shares to eradicate its debt and provide working capital.

The company, which proposes to change its name to Birkdale Group, announced a reduction in pre-tax losses from £1.19m to £610,000 for the six months to September 30. There is no interim dividend.

Brunning is issuing 5.75m new shares at 28p apiece. The shares have been conditionally placed with some existing shareholders and new investors.

The proceeds of the placing, combined with the £800,000 Brunning expects to raise from a property sale, will wipe out its debt of £1.75m.

All the operating companies were profitable in the first half, apart from Lewis Broadbent, the London advertising agency.

Midlands Radio drops by £0.5m

Midlands Radio, which came to the stock market in February, suffered a fall in pre-tax profits from £2.11m to £1.65m in the year to September 30. This was in spite of a rise in interim profits from £905,000 to £981,000.

Turnover was slightly up at £10.71m (£10.64m) in spite of the "difficult trading conditions in the high streets of the Midlands cities in which we operate", the company said.

However national revenue had been disappointing, falling by 7.7 per cent on last year.

Earnings were down at 7.95p (9.89p) per share and the final dividend is a recommended 2p for a maintained total of 4.5p.

MTM appoints US chief

By Clare Pearson

MTM, the specialist chemicals group, has appointed Mr James Friederichsen to take charge of its expanding US operations. He replaces Mr David Fyfe, group managing director, who is resigning from the company.

Mr Friederichsen is rejoining MTM from Staley, US subsidiary of Tate & Lyle, the sweeteners group. He was previously MTM's commercial director.

In October MTM substantially expanded its US side with the £59m acquisition of the Hardwick Chemical Company, financed by a two-for-three rights issue.

MTM is not appointing a new managing director.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Braithwaite	int	1.4	Feb 22	1.4	-	6.9
CH Industrials	int	0.3	Feb 15	1.2	-	5.025
Faupel Trading §	int	1.85	Jan 31	1.85	-	4.9
F&C Smaller	int	0.6	Jan 4	0.45	-	1.5
Gold Greenlees	int	3.3	Apr 6	3.3	-	8.3
Jones & Shipman	int	1	Jan 25	1.5	-	6☆
Midlands Radio	fin	2	Feb 18	-	4.5	-
NFC	fin	1.6	Apr 8	1.15	5.65	4.05*
Tinsley Robor	int	0.75	Jan 31	0.75	-	2.1
Thornton (GW) §	fin	2.75	Mar 4	2.75	4.75	4.75
Triplex Lloyd	int	2.5	Feb 18	2.5	-	7
Yorkshire TV	fin	8.7	Mar 22	8	12	11.3
Wessex Water	int	6.1	Mar 4	-	-	10.4
Westpool	int	0.35	Feb 9	0.35	-	2.2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆For 15 months.

UK COMPANY NEWS

IMI raises bid for B'ham Mint and buys in market

By Andrew Hill

IMI, the international engineering group, yesterday raised its hostile bid for Birmingham Mint from £12.2m to £13.6m and bought 29.9 per cent of the Midlands company's shares in the market at the increased offer price.

However, Birmingham Mint continued to resist the bid, which it said represented "a miserable price for a company with proven recovery potential and excellent growth prospects". The engineering and electronics group advised shareholders to take no action.

IMI has raised its cash bid from 85p to 95p per ordinary share. The preference share offer is unchanged at 80p. Birmingham Mint's shares rose from 85p to 94p, compared with 60p before the offer was launched.

The predator is unable to increase its stake in Birmingham Mint until the bid is approved by the Office of Fair Trading. It is believed IMI could have bought more than 30 per cent in the market yesterday had it been allowed to. A further 4.75 per cent of the target's equity had been committed to the offer by yesterday afternoon.

The OFT is expected to publish its decision on the proposed takeover before Monday.

IMI, which is part of a three-company minting consortium with the Royal Mint and Birmingham Mint, launched its original offer at the end of October. Two weeks ago, in its defence document, Birmingham Mint forecast an 18 per cent increase in its full-year dividend, a policy which IMI yesterday condemned as irresponsible.

The predator said Birmingham Mint's recovery from losses of £599,000 in the first half of 1989-90 to an interim profit of £1.8m before tax was "more apparent than real" and added that the interim results were below expectations. The profit included £550,000 exceptional from the sale of the group's head office building.

Birmingham Mint said it would be writing to shareholders shortly to explain "why acceptance of this paltry offer would not be in their best interests".

IMI said the offer would not be increased or revised unless a counter-bid emerged, and would stay open for 14 days after posting of the new offer document, which is likely to be published this week. However, because the offer period will straddle the Christmas and New Year holidays, IMI is reserving the right to extend the bid.

CH's fall to £0.33m hits shares

By Andrew Bolger

CH INDUSTRIALS, the diversified holding group with divisions in transport, vehicle body engineering and office and household products, saw its share price fall by 30 per cent after it announced a collapse in profits for the six months to September 29.

Pre-tax profits fell from £7.32m to £334,000, although group turnover rose by 4 per cent to £121.49m. The interim dividend was reduced from 1.2p to 0.3p with losses per share working through at 0.95p (earnings 5.94p).

The shares closed 7p lower at 16p.

CH blamed a significant downturn in its office and household products divisions, a lower contribution from automotive, mass transit and property activities, and a rise in finance charges resulting from increased borrowings and higher interest rates.

Mr Tim Hearley, executive chairman said: "With recessionary pressures continuing to be evident, there is no doubt that the trading outlook for for the second six months will remain difficult."

Mr Hearley said further disposals of non-core operations were planned to reduce borrowings by the year-end, when the re-orientation of the group was expected to be largely completed.

An extraordinary credit of £1.68m represented the £4.47m profit on the disposal of CH's building chemicals division, the loss of £2.36m on the group's disposal of its 28 per cent stake in Manganese Bronze, the London taxi cab manufacturer, and closure costs of £426,000.

The office and household products division incurred a loss of £95,000, compared with an operating profit of £2.23m last year. Trading conditions continued to be difficult within the flooring accessory markets. Within office furniture and components, weakening demand had reduced profitability.

CH said its automotive and mass transit division increased turnover but produced lower profits. Good results were achieved by automotive sunroof activities and design and engineering.

However, this was more than offset by losses from the furniture foam division of Cherifoam; production problems affecting the manufacture of rolled metal sections; and poor trading within the train window business of Bewclat Engineering. The assets of Cherifoam and the business of Bewclat Engineering were sold in October, and the rolled metal section operation was being reorganised.

Mr Hearley said financial gearing was still about 100 per cent, but was planned to fall further. Total borrowings increased during the period, principally because of high capital expenditure, but this would be significantly lower in the second half.

Braithwaite down 23% to £2m at six months

By Richard Gourlay

BRAITHWAITE, the industrial services company, has announced pre-tax profits 23 per cent lower at £2m in the six months to September as a slump in construction and the economic slowdown hit earnings.

Mr Andrew Fitton, the chief executive, said the exceptionally good first half of 1989 was always going to be difficult to follow. The figures were also distorted by the inclusion of £0.6m of trading profit in the comparable 1989 figures from a subsidiary which was subsequently sold.

Earnings per share were 6.8p compared to 9.6p but the board proposed to maintain its interim dividend at 1.4p.

Sales were £2.1m lower at £31m but the comparson was again distorted by the £4.7m of turnover from the disposed subsidiary.

Andrews Sykes, the group's main subsidiary, enjoyed a 6 per cent increase in turnover with hire revenues up 15 per cent. However pump hire, where Braithwaite's margins are high, was hit by the downturn in construction activity and equipment sales were lower as companies curtailed capital purchases.

The integration of the two subsidiaries Andrews and Sykes continued with the closure of 6 depots and the opening of three larger ones in an attempt to cut operating costs. A relaunch of Centahire, the hire division, failed to stem losses.

Moorgate Inv

Moorgate Investment Trust's gross revenue for the half year to November 30 was £1.29m compared with £1.15m. Revenue before tax amounted to £1.18m (£1.05m) and earnings per share to 3.09p (2.76p adjusted). The directors have declared an interim dividend of 1.7p (1.6p adjusted).

NEWS DIGEST

Burmah lifts stake in Foseco

BURMAH CASTROL, the lubricants, fuels and chemicals group yesterday raised to 29.8 per cent its stake in Foseco, the speciality chemicals and abrasives producer, for which it has bid £259m, writes Andrew Bolger.

Burmah's purchase of shares – comprising a 6 per cent stake in the market yesterday – lifts its holding to the limit it can hold before its increased and final offer of 300p per share closes on Friday.

Last week Foseco said it would sell its construction chemicals division in a final attempt to persuade shareholders not to accept Burmah's offer.

Foseco's share price yesterday closed 2p down at 294p.

Jones & Shipman

Jones & Shipman, the machine tool manufacturer, reported taxable profits for the six months to September 30 of £400,000, against £645,000. The result was achieved on turnover higher at £11.95m, compared with £11.12m.

The result was affected by redundancy costs this time of £81,000 (nil), a £71,000 (nil) share of loss of a related company and higher net interest payable of £187,000 (£45,000). Earnings per share were 1.7p (3.2p) and the interim dividend is cut to 1p (1.5p).

Tinsley Robor

Tinsley Robor, the printer and packager and dealer in printing machinery, experienced a profits downturn of £194,000 to £431,000 pre-tax for the six months to end-September.

Turnover fell to £11.85m (£14.2m) reflecting closure of the machinery division. Earnings emerged at 1.09p (1.45p) and the interim is a same-again 0.75p.

GW Thornton

Taxable profits of GW Thornton Holdings, a USM-quoted manufacturer of precision forgings and hand tools, slipped from £1.42m to £1.35m for the year to end-September. Turnover was unchanged at £20.37m.

Earnings amounted to 13p (13.7p).

A final dividend of 2.75p is proposed for a same-again 4.75p total. A special dividend of 33.75p was announced in September for payment in February.

Quiligotti

Profits of Quiligotti, a USM-quoted manufacturer of terrazzo floor tiles, slipped from £1.21m to £1.08m pre-tax for the six months to end-September. Turnover rose by £2.22m to £12.83m.

Directors considered the result satisfactory after taking account of start-up costs associated with the US manufacturing operation and expansion of Irish activities.

Earnings emerged at 2.41p (2.72p) per share and the interim dividend is a same-again 0.76p.

Hilclare

Hilclare, the security and lighting product group, is to join the list of companies migrating from the soon-to-be-abolished Third Market onto the USM.

The Manchester-based company expects that USM dealings in its shares will begin on December 20.

The introduction is to be sponsored by Charlton Seal, a division of Wise Speke.

In the year to March 31, Hilclare reported pre-tax profits of £322,000 – up 22 per cent – on turnover of £2.76m.

The company's products include xenon warning beacons, floodlighting and sophisticated security control panels. It began trading in July 1982.

Mosaic Invs

Mosaic Investments, the industrial holding company, increased pre-tax profit by 76 per cent from £1.91m to £3.35m in the six months to October 31. Turnover tose 65 per cent to £20.33m.

Operating profits were up 93 per cent to £3.59m with industrial products at £1.99m (£778,000) contributing the major proportion; consumer products and services put in £1.6m (£1.08m). The interim dividend is raised to 3.5p, payable from earnings of 14.05p (11.61p) per 10p share.

Brasway

Brasway, the Midlands-based engineer, experienced a fall from £1.6m to £650,000 in pre-tax profits for the half year to October 31. Sales slipped from £22.71m to £19.74m.

Earnings totalled 0.56p (1.42p). The interim dividend is unchanged at 0.24p. An extraordinary profit of £2.23m reflected the sale earlier this year of the bright bar division.

UK COMPANY NEWS

Advertising recession cuts GGT to £2.24m

By Alice Rawsthorn

GOLD GREENLEES TROTT became the latest casualty of the advertising recession when it announced a fall in pre-tax profits from £3.5m to £2.24m on turnover up from £69.5m to £113.1m for the six months to October 31.

Mr Mike Greenlees, chairman, said the group's below-the-line companies had continued to perform well, but its advertising agencies had been hit by the downturn in the UK ad industry. GGT also encountered problems in the US where Babbit & Reiman, one of its agencies, performed poorly.

Earnings per share fell to 8.62p (14.84p). However the board has decided to maintain the interim dividend at 3.3p and Mr Greenlees said he was confident of maintaining the final dividend too.

The reduction in profits from advertising offset a strong performance from GGT's below-the-line consultancies.

Lloyds Chemists suffers a sharp rise in payroll costs

By David Owen

LLOYDS CHEMISTS, the UK's second largest retail chemist and drugstore chain, which has acquired a reputation for lean and careful management, suffered a sharp increase in payroll costs in its most recent year.

The group's wage bill rose by 30.8 per cent in the year to June 30, although the increase in the average number of persons employed – including the full-time equivalent of part-time employees – was only 14.1 per cent, according to the company's recently-published audited accounts.

Warwickshire-based Lloyds, which has expanded rapidly in a recession-resistant sector, attributed the differential to a change in the method of calculating full-time equivalents.

"In 1989 we assumed that a part-timer was half of a full-timer," said Mr Allen Lloyd, chairman and chief executive.

"Since then it was calculated that a part-timer was two fifths of a full-timer. The way we do it now is very accurate: part-timers normally do 15 hours," he added.

The company's wages and salaries bill for 1990 totalled £22.11m, with an average of 3,516 people employed. Corresponding year-earlier figures were £16.9m and 3,082 respectively.

Mr Lloyd's pay increased by 37.2 per cent to £145,659 in the period under review. He said that the previous payment of some staff at below industry-prescribed minimums had "no bearing whatsoever" on the increased wage bill.

Earlier this year, the group admitted that it had paid 23 staff at less than the minimum rate laid down by the Joint Industrial Council for Retail Pharmacy (JIC) for a period of some two years ending March 31 1989, and said that arrangements to make *ex gratia* payments were in hand.

Lloyds said that 65 per cent of its full time shop assistants were paid substantially more than the JIC minimum.

The accounts also show that the previously-announced revaluation of chemist store licences has added £10.11m – or some £29,000 per outlet – to the company's tangible fixed assets.

Mr Malcolm Robertson, of valuers and surveyors Elliott Son & Boyton, explained that the firm had provided valuations of Lloyds branches both for their existing use as licenced chemists and for any other use.

"Lloyds has inferred from the two valuations that a value of £10.1m can be attributed to the licences," he said.

One of the effects of the revaluation was to cut year-end gearing to 86 per cent. Without it, gearing would have stood at 174 per cent.

In October, Lloyds reported a 33 per cent advance to £13.61m in annual pre-tax profits on turnover ahead 21 per cent at £179.9m.

In May, it bought Cross & Herbert, the seventh largest chain, for £23.2m, adding a further 74 outlets to its portfolio. The licence value of these premises has not been revalued, the accounts state, "as the directors consider it appropriate for these premises to trade under the ownership of the group for a period of time."

NEWS DIGEST

Wholesaling side sold by Devenish

JA DEVENISH, the West Country brewer, is to sell its Canonbury and Seligman drinks wholesaling businesses for £15m to Free Traders, a company run by Mr David Fisher, former marketing director of Dee Corporation, writes Philip Rawstorne.

In the year to September 30, Canonbury and Seligman reported pre-tax profits of £1.28m on turnover of £27.8m. The value of fixed assets and stocks at the end of period amounted to £3.5m.

Devenish will subscribe £4.5m for a 30 per cent stake in Oval (667) the holding company of Free Traders. Swiss Bank Corporation will subscribe £3m for a 19.9 per cent stake. Devenish will also make available a secured loan of up to £1.75m to Free Traders.

Graig Shipping

Graig Shipping, the Cardiff-based group which also has interests in oil and gas exploration, reported a drop from £1.64m to £665,762 in pre-tax profits for the half year to September 30.

Turnover was lower at £15.09m (£17.37m). Earnings per share fell to 4.3p (10.6p) and the interim dividend is halved to 1p.

Fleming Claverhouse

Fleming Claverhouse has launched the first debenture issue by an investment trust since November 1989.

Investment trusts, unlike unit trusts, have the ability to "gear up" by borrowing to invest in shares. This allows their assets per share to grow faster when stock markets are rising but also creates the possibility that the assets per share will fall more quickly when markets are falling.

The £5m issue is repayable in 2008 and carries a coupon of 11 per cent. The gross redemption yield, at the issue price of £93.893 is 11.826 per cent.

Bodycote Intl

Bodycote International, the metal technology, packaging and textiles group, has sold its Skelmersdale subsidiary for £11.83m as part of its drive to re-deploy its resources in the expansion of its metal technology division.

Skelmersdale, a corrugated sheetboard manufacturer which was acquired by Bodycote for £4.9m in January 1987, formed a substantial part of the company's packaging division.

The buyer is Bux Corrugated Containers, a subsidiary of Danisco, the Danish packaging company, which is paying Bodycote £6.83m cash. Bodycote also received a dividend of a further £5m.

Harcourt

Harcourt Group, a distributor of cookware, foil containers and rigid foam products, recorded a £192,000 loss during the six months to September 30.

The company, formerly known as Thorpac, had warned in August that it might fall into the red. The corresponding pre-tax profit last time was £1.78m.

Turnover declined marginally to £15.09m (£16.08m). The loss per share was 1p, against earnings of 2.9p.

No interim dividend (0.6p) was declared.

The group said that it did not now expect to be profitable in the second half.

CRT Group

CRT Group, the training, recruitment and consultancy company, has agreed to pay £2.2m for Pitman Training Group, which offers training in secretarial and office skills, English and computers.

The acquisition of Pitman, which employs 153 full-time and 58 part-time staff, continues CRT's transformation of R Smallshaw (Knitwear), the textile manufacturer and dyer into which it reversed last December.

McInerney Props

McInerney Properties, the Dublin-based building and property development company, is withdrawing from commercial property development in an effort to stem losses and cut debts estimated at between I£50m and I£60m (£48m–£56m).

McInerney is involved in eight large-scale property developments in the UK. Under group proposals creditor banks will take over the UK properties, reducing debts by I£20m.

Vista Entertain

Taxable losses at Vista Entertainments, the Third Market-quoted club operator, increased from £245,000 to £575,000 in the six months to end-September.

The company has exchanged contracts for the sale of Manchester Theatres to Apollo Leisure (UK) for £3.85m; Apollo will also assume about £2.1m of medium-term debt.

The loss per share was 0.6p (0.27p).

Booth Industries

Booth Industries, which is engaged in structural steelwork and engineering, increased profits from £262,000 to £376,000 pre-tax for the six months to September 30. Turnover of £15m compared with £14.19m.

Earnings rose to 6.12p (5.72p) and the interim dividend is maintained at 0.7p.

Melville Street

Melville Street Investments, a development capital company, increased revenue before tax from £512,00 to £559,000 in the six months to October 31.

Net asset value per share which stood at 160p at April 30, had fallen to 147p at October 31 compared with 145p a year earlier.

Earnings per share were 2.24p (2.06p). The interim dividend is raised from 1p to 1.5p.

Danbury Group

Like many property companies, Danbury Group has suffered through the necessity to write down the carrying value of its properties to reflect the current depressed state of the market.

Taking the £1.94m (£600,000) write-down as an exceptional debit drove this USM-quoted company into pre-tax losses of £2.29m (profits £470,000) in the six months to September 30.

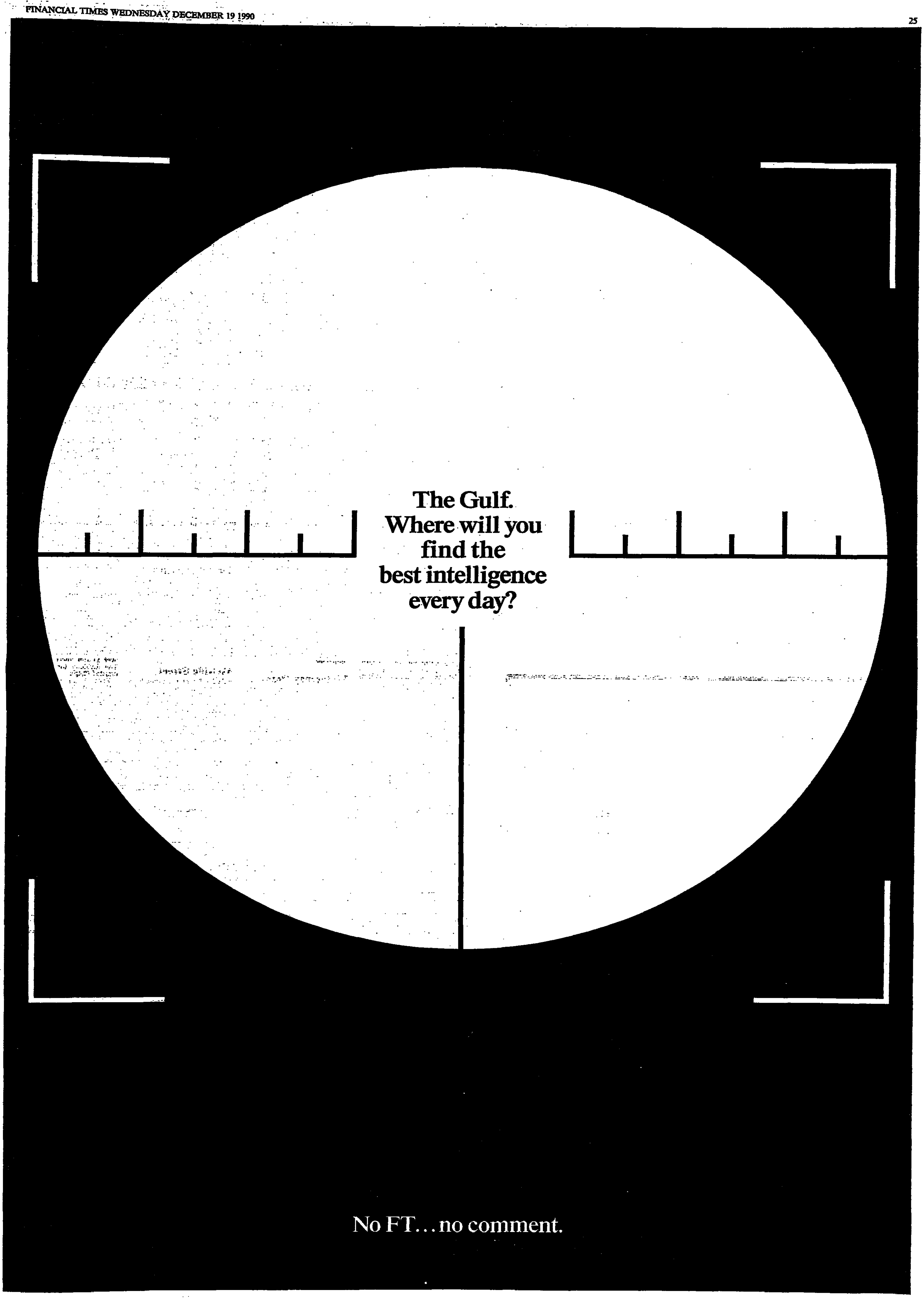
Turnover was down at £2.64m (£3.46m) and the loss per share came to 22.5p (earnings 4.08p).

Circaprint

Circaprint Holdings, which ran up a loss of £886,000 for the opening half of the 1989-90 year, finished the 12 months to end-August £2.47m in the red, before exceptional items.

The loss, which compared with previous profits of £510,000, was struck from turnover £1.39m lower at £12.83m. The dividend for the year is omitted (2.4p).

Exceptional provisions of £337,000 were offset by a tax credit of £407,000 (£190,000). Losses per share emerged at 45.6p (earnings 13.3p). There was an extraordinary debit of £542,000. The USM-quoted group manufactures printed circuit boards.


The Gulf.
Where will you find the best intelligence every day?
No FT… no comment.

COMMODITIES AND AGRICULTURE

Cadmium prices triple as consumer stocks dwindle

By Kenneth Gooding, Mining Correspondent

CADMIUM's price virtually tripled in three trading days as producers and consumers meeting in Rome last week concluded that the outlook for the metal was much healthier than predicted as recently as September.

The free market price of cadmium soared from US$1.15 a lb to $3 and Mr Nick French of Wogen Resources, the London-based trading group, suggests that this jump is probably unprecedented, even in the very volatile world of minor metals.

Cadmium, produced entirely as a by-product of zinc mining, is highly toxic and environmental pressures cut sales substantially before demand for nickel-cadmium batteries took off. These now account for about two-thirds of total cadmium consumption.

Nickel-cadmium rechargeable batteries are used in various portable electrical gadgets such as video cameras, computers, telephones and so on.

Driven by nickel-cadmium battery demand, the cadmium price bolted from below $2 a lb to touch $12 during 1988 and persuaded the principal consumers in Japan to build strategic stockpiles.

The steep price drop this year – cadmium averaged $7.08 a lb in 1988 and $6.13 in 1989 – seems to have been partly caused by consumers living off those stocks. However, that de-stocking process has now come to an end and Mr Murray Cook, director of the Cadmium Association, suggested yesterday: "A true pattern of consumption is now beginning to emerge".

He said that at the association's meeting last week it was widely felt that the fall in demand for cadmium caused by substitution of other less toxic materials in traditional uses – such as plating, pigments and stabilisers – had more or less come to an end.

Proposed legislation in the western world looked likely to exempt from restrictions any end-uses for cadmium where no suitable substitutes could be found, for example the use of cadmium coatings on components used in the aerospace and defence industries.

Mr Cook said that, while production in Japan and North America was falling this year, possibly by more than 10 per cent, consumption continued to be buoyed by battery production. Output of nickel-cadmium batteries in Japan – which accounts for about 75 per cent of the world market – was up by 10 per cent in the first eight months of 1990.

The association predicted that Japanese nickel-cadmium battery production would exceed 550m ampere hours this year against under 510m ampere hours in 1989. The two biggest producers – Sanyo and Matsushita – between them accounting for more than half the world market, planned to boost capacity by at least 20 per cent in 1991.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,630-1,670 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.75-2.90 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 3.00-3.20 (1.35-1.55).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 13.00-13.50 (12.30-12.90).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 155-165 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.55-2.65 (2.52-2.60).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.40 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 37-49 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.35-2.50 (2.25-2.45).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 11.45 (same).

Technical hitches again put off Cominco lead smelter's opening

By Bernard Simon in Toronto

THE START-UP of Cominco's trouble-plagued new lead smelter at Trail, British Columbia, has again been delayed.

Commissioning of the smelter, which was due to come on stream by next March, has now been postponed indefinitely pending the outcome of tests at a plant using the same process – known as QSL – at Stolberg, in Germany.

The tests will take place early next year and be conducted by Lurgi, the German engineering group that supplied QSL smelter technology.

The Trail plant, which is one of the world's biggest lead smelters, was designed to be fuelled by natural gas, while the process originally developed by Lurgi is based on pulverised coal. One of the snags has been a high-temperature concentration of gas where it enters the reactor.

Modifications to the smelter, which include facilities to use coal or coke as well as gas, have been halted until the tests are completed. However, Cominco did say that some engineering work would continue.

The smelter was closed down within months of being brought into operation last December. At the time, Cominco said that changes were required to the reactor and drossing plant as well as to slag granulation, boiler and ventilation equipment.

Cominco said that it will continue to use the old smelter at Trail, which is operating at about 80 per cent of previous capacity levels. Cominco produced only 47,800 tonnes of refined lead in the first nine months of this year, compared to 85,800 tonnes a year earlier. The new smelter was due to produce about 140,000 tonnes by 1992.

● Samuel Montagu and Sharps Pixley have quit as platinum market makers in London. Consequently, from January Crédit Suisse London will co-chair the twice-daily London platinum and palladium price fixing sessions with Ayrton Metals. There remain another four members of the "fix", conducted over the telephone. They are: Engelhard Metals, Mase Westpac, Swiss Bank Corp and Union Bank of Switzerland.

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	+3,100	to 300,050
Copper	+1,900	to 166,975
Lead	+14200	to 55,750
Nickel	−324	to 2,514
Zinc	−850	to 53,000
Tin	+605	to 19,380

Acrid fumes from Chile's iodine industry

Lesley Crawford looks at the actions of a big but antiquated producer under pressure

SOQUIMICH (Sociedad Quimica Minera de Chile), which is the world's largest iodine producer, can claim only a pyrrhic victory after a year's bitter price war against its Japanese rivals.

After flooding the market with iodine, Soquimich began an aggressive price cutting campaign to increase its share of world trade. The company says that its annual sales of 4,000 tonnes give it a market share of just over 30 per cent.

Yet foreign analysts in Santiago believe that Soquimich's real share of the world's traded market is closer to 50 per cent, representing a 10 per cent increase in the past two years.

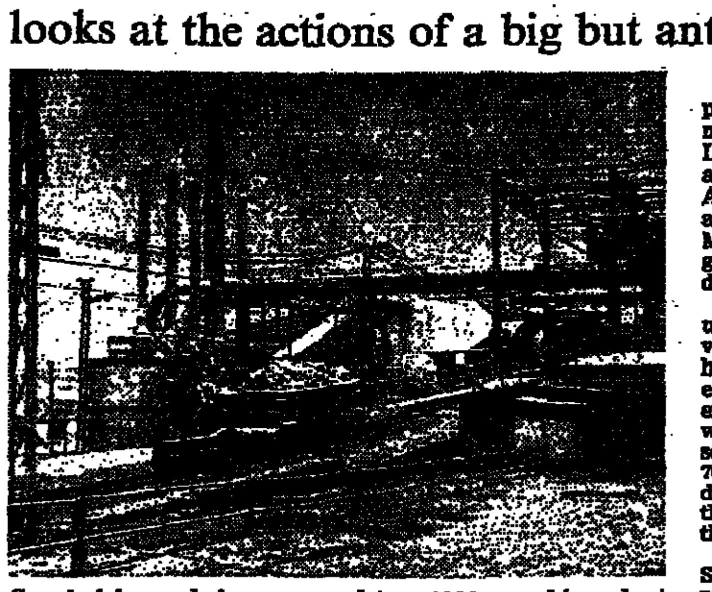
Soquimich's strategy has worked, but at a cost. The price of iodine has plummeted from $18 a kilo to $12.5 a kilo; there are now 1,500 tonnes of excess stocks although global consumption rarely exceeds 13,000 tonnes a year. Moreover, Soquimich has had to lay off 1,100 workers, half of its iodine plants lie idle and the price of the company's shares has collapsed on the Santiago Stock Exchange.

However, Soquimich does not appear to be licking its self-inflicted wounds.

Mr Patricio Contesse, Soquimich's general manager, says that part of the price slashing has been aimed at discouraging new competitors from entering the market. "We have been aggressive in our price cutting because we have the best comparative advantages to produce iodine in the world", he says.

When the price reached $20 a kilo in 1988, several mining companies started looking at iodine projects in Chile. The prospects look less attractive now, although Northern Lily Mining of the US is still planning to go ahead with a $50m project near the northern port of Taltal.

Only then will Soquimich's comparative advantage be put to the test. Northern Lily will be investing in the latest technology, while Soquimich is still labouring with 60-year-old plant and machinery.



Soquimich: ore being conveyed to a 1930s crushing plant

Having seen the writing on the wall perhaps, Soquimich has launched a $238m investment programme to replace machinery and equipment over the next five years and modernise its 100-year-old railway and port facilities. Almost half the money will be channelled into research and development and into new product lines, such as ammonium nitrate, boric acid and potassium perchlorate, a chemical used in space missions and solid fuels.

The changes will also herald the demise of Maria Elena and Pedro de Valdivia – the last two nitrate mining towns in Chile. Over 160 of these camps, or *oficinas*, dotted the Atacama desert at the beginning of the century, when Chile's wealth was based on the export of natural nitrates.

The nitrate business was ruined by the invention of artificial fertilisers and Maria Elena and Pedro de Valdivia are the only living relics of this past. The twin towns – 200km north-east of Antofagasta – have been kept alive because 60 per cent of Soquimich's revenues still come from the sale of natural nitrates.

Little there has changed in the past 50 years. The rows of low-terraced houses, little more than shacks, date back to the days when the British ran the mining camps. Everything is covered in a thick layer of red dust and the skin burns from the acid fumes belching from the iodine plants. People are born and die here. Everything revolves around the company.

Some 4,500 miners labour in a desert landscape where temperatures rise above 40 degrees Celsius during the day and fall below freezing at night. They earn on average $150 a month. Less than 100 km away, their colleagues at the Chuquicamata copper mine are paid wages of $800-$1,000.

The 19,000 inhabitants of Maria Elena and Pedro de Valdivia are in a state of shock. Soquimich has fired 1,100 workers and has announced plans to close down the towns.

Mr Contesse says he can no longer afford to run them, and that the lay-offs reflect leaner times and the company's drive to cut costs and raise productivity.

However, the unions see political motives behind the mass sackings. Mr Julio Ponce Lerou, Soquimich's president, also happens to be Gen Augusto Pinochet's son-in-law, and the management offices at Maria Elena still display photographs of the former military dictator.

Mr Francisco Cañete, a union leader at Pedro de Valdivia, says: "Ponce Lerou was here just before the December elections and openly threatened that if (Patricio) Aylwin won, we would suffer the consequences". Mr Aylwin polled 70 per cent of the votes in the district and Mr Cañete believes that they are now paying for this act of defiance.

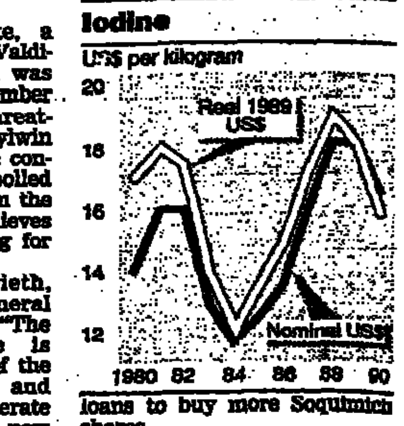
Mr Eduardo Bobenrieth, Soquimich's former general manager, goes further: "The company's directorate is packed with supporters of the former military regime, and the sackings are a deliberate intent to destabilise the new democratic government," he said.

Mr Cañete says that labour relations have reached rock-bottom. He has sent five letters to management asking to discuss the future of the towns and the workforce. All have gone unanswered. He says the unions are not opposed in principle to moving their families to Antofagasta, but their wages would have to rise dramatically in compensation. The mining boom in the region has made Antofagasta Chile's most expensive city. There is also a serious housing shortage in the region.

Mr Contesse replies: "The wages will be set by the market: the families have become too dependent on the company, although I realise changing the habits of a lifetime can be traumatic". He says the towns will not be shut down immediately, but over a period of five, perhaps 10 years.

Labour relations have also been soured by an acrimonious power struggle for control of the company. When Soquimich was privatised, its workers began to receive shares in lieu of productivity bonuses. They quickly built up a sizeable stake in the company, and in 1985 decided to set up an investment company called Pampa Calichera, using their existing shares as collateral for

Iodine



loans to buy more Soquimich shares.

Pampa Calichera soon controlled 20 per cent of Soquimich. Mr Ponce Lerou felt his position in the directorate was threatened and earlier this year the company's executives organised a takeover of Pampa Calichera using a front company, known as Inversiones Oro Blanco.

The unions claim that the workers were duped into exchanging their shares in Pampa Calichera for some cash and shares in the management-controlled Inversiones Oro Blanco.

The legality of the proceedings was never clarified, but the outcome is a cautionary tale of greed, power and the shortcomings of popular capitalism.

One foreign mining expert in Santiago says: "The workers at Soquimich were the strongest supporters of the company's privatisation: they have now been robbed of their shares and are being fired for the faith they placed in the company. It stinks."

Indian tea production close to target

INDIAN TEA production to the end of October this year is estimated to be 32.4m kilos ahead of the corresponding first 10 months of 1989, in spite of a production setback in the Assam valley, writes Kunal Bose in Calcutta.

It is now reckoned that India will finish the current year with a crop of 710m-715m kilos compared to the target of 720m kilos and last year's actual production of 684.1m kilos.

As the winter has set in early in the Assam valley, which accounts for about half of India's tea crop, plucking in the remaining weeks of the season will not be satisfactory, according to Mr Dipak Roy, chief executive officer of the Assam Frontier group of tea gardens.

Not only is tea production down, but the quality of the crop this season is nothing special. Quality has suffered as garden managers were in no position to enforce discipline in the face of United Liberation Front of Assam terrorism.

Production in the Assam valley in the first 10 months at 299.8m kilos is 3.2m kilos less than in the corresponding period of 1989. The rest of north India had up to the end of October produced an additional 19.4m kilos.

Of all the tea growing centres in the north, Dooars in west Bengal has given the best performance with production at 105.8m kilos showing an improvement of 11.1m kilos. At 10.8m kilos, Darjeeling has also shown marginal improvement.

South India which last year suffered a production setback of 20m kilos at 151.8m kilos has bounced back this year. Combined production of tea estates in Tamil Nadu, Kerala and Karnataka through October is 139.9m kilos, up 16.6m kg.

A noticeable feature this year is that ctc tea output, mainly consumed domestically, has risen by 42.9m kg to 480m kilos. Output of exportable orthodox variety has declined by 10.3m kg to 128.9m. Other varieties at 5.8m kilos have recorded a marginal decline in production of 200,000 kg.

Brazil cocoa exporters welcome Soviet interest

BAHIAN cocoa prices are getting a boost from the possibility that the USSR will soon return to the Brazilian market as a large purchaser, writes Victoria Griffith in Sao Paolo.

The two governments are in negotiations over the export of more than 1m sacks to the USSR. In return, Brazil would agree to import Soviet products such as chemicals.

The USSR purchased 1,041,000 sacks of the 1989-90 harvest in Brazil before the country's financial crisis forced it out of the market in May. As last year's Bahian harvest ammounted to 5.4m sacks, 4.7m of which were exported, the Soviet presence is critical.

"If the deal is clinched, the impact on cocoa prices could be strong", Mr Luiz Pedrao Rio Branco, president of the Brazilian Association of Cocoa exporters, said. Exporters believe the USSR's departure from the market contributed to falling prices this year. So far, the effect of the USSR's renewed interest has been limited to the internal market.

Mr Rio Branco warned, however, that even a sizeable Soviet purchase would not solve all the difficulties due to the fall in world prices.

WORLD COMMODITIES PRICES

MARKET REPORT

Lead prices fell sharply in morning trading on the LME after the exchange's early correction of its level of stocks from a minor decline to a large rise, traders said. Three-month metal touched a low of £322 a tonne after the LME revised its original report from a 550-tonne decline in stocks to a 14,200-tonne increase. Stocks are now at their highest since January 1989 in the face of a decline in demand. Nickel closed at the day's highs as a short covering rally gathered momentum. London cocoa prices fell sharply in continued heavy technical selling following Monday's steep decline in New York. "The charts look very weak, which has attracted a lot of computer-fund selling, and there is a lot of pressure still on New York and London. But it all is technically-based - there doesn't appear to be any new physical cocoa which has entered the market," one London trader said. Traders were predicting further falls today in London. "New York has been trying to bounce back but so far the rallies haven't been very convincing. And the longer it takes to recover, the more likely it is to slip down further," another trader said.

Compiled from Reuters

London Markets

New York

Chicago

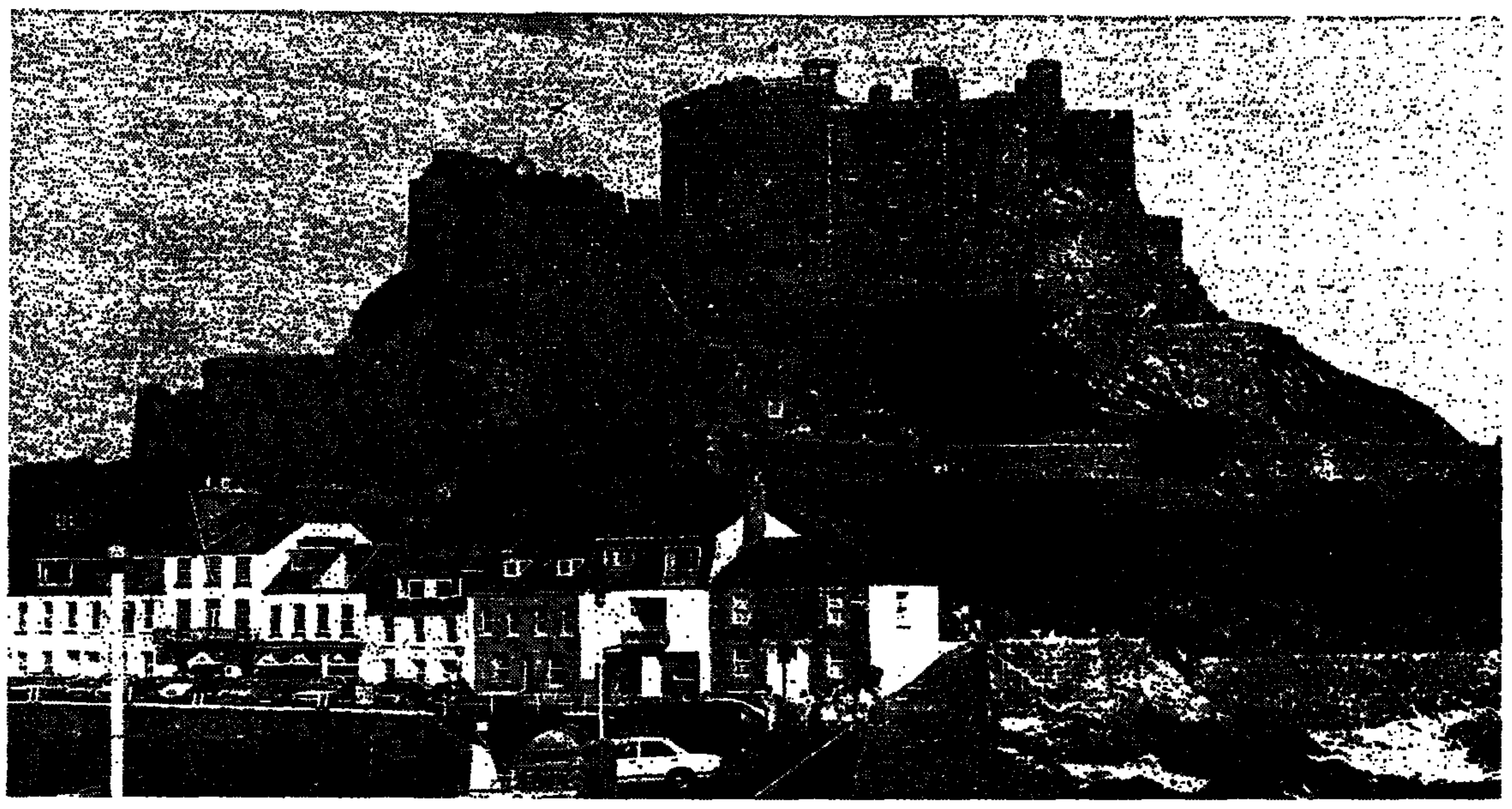
FINANCIAL TIMES SURVEY

THE CHANNEL ISLANDS

Wednesday December 19 1990

Offshore financial business can no longer be expected to gravitate so easily towards Jersey and Guernsey. The growth of specialist centres in the EC means that the Channel Islands may need to redefine their position as 'offshore Europe'. Barry Riley reports

Prosperous but cautious



Mount Orgueil castle overlooking the harbour at Gorey, Jersey

Alan Harper

IN THIS SURVEY

Banking: emphasis on quality
Insurance: a captive audience
Pensions: tax law points the way .... Page 2

Offshore funds: sector continues to thrive
Alderney: plans to become a financial centre
Regulation: search for respectability .... Page 3

Administration: discretion is the better part of value
Planning: pressures on space
Tourism: a more mature market
Map .... Page 4

AMIDST THE continuing prosperity of the Channel Islands there is just a hint of caution about the future. Jersey and Guernsey are becoming aware that offshore financial business will no longer gravitate naturally towards them quite so easily, and that they may need to raise their profiles.

Jersey has appointed external public relations consultants for the first time. "We haven't really been selling ourselves," says Senator Reg Jeune, president of Jersey's powerful Policy and Resources Committee. "We need to see that the right emphasis is being given."

In Guernsey, Mr Bruce Riley, chairman of the Guernsey Fund Managers' Association, says that the question of external promotion has been discussed by bodies such as the GFMA and the Guernsey International Business Association.

"At one level we need to decide whether we should promote a separate indentity from that of Jersey," he says. "But there is also the question of whether the Channel Islands should put forward an image in relation to Europe."

It is the growth of specialist European Community financial centres such as Luxembourg and Dublin that has served to focus attention on the strengths and weaknesses of the Channel Islands. Any loss of business has only been slight, mainly in the area of collective investment funds, but Jersey and Guernsey are faced with the need to redefine their position slightly as "offshore Europe".

But if a more serious recession lies ahead, at least the Channel Islands are going into it from a position of very considerable economic strength.

With virtually zero unemployment, and economic growth still probably running at 4 or 5 per cent until quite recently, the main problem has become the high inflation rate, which has topped 10 per cent this year in each island.

Because the Channel Islands are in monetary union with the UK they have been drawn within the exchange rate mechanism of the European Monetary System (though they are not themselves EC members).

So if pay rates continue to climb at 10 per cent a year (and actual earnings more rapidly) Jersey and Guernsey will lose competitiveness – in tourism and agriculture, and eventually in financial services.

But in tourism, forward bookings for 1991 are excellent in Jersey, and for the moment the economic policy emphasis is still very much on the prevention of overheating. Jersey continues to siphon off part of its buoyant tax revenues into a "rainy day" reserve which is expected to reach £160m by the end of 1991 (about £2,000 per capita).

Senator Jeune, retiring president of the Finance and Economics Committee, has been deluged by £140m of public sector capital spending applications for both 1992 and 1993, but is intending to hold the level somewhere near the £65m sanctioned for 1991.

Jersey's 20 per cent income tax rate is regarded as inflexible. "Therefore if we had any hiccup in the economy I wanted to be sure that we had a reserve fund." He adds proudly: "We haven't got a penny of debt."

But Guernsey's position is rather less comfortable. Islanders there were shocked last week by a tough annual budget statement, including proposals for steep rises in tobacco and spirits duties and vehicle licence charges. Guernsey has begun to dip into its own rainy day reserve, which anyway is much smaller than Jersey's.

The economic strategy in the Channel Islands is to maintain, if possible, a broad balance between the three main legs of the island economies, finance, tourism and agriculture.

In former years attempts were made to attract light industry, but labour is now too scarce and expensive for manufacturing to be healthy. Even tourism is dependent on imported labour, mainly from Portugal. Agriculture's contribution is economically fairly slight, but it remains important for social and environmental reasons.

The difficult part of the balancing act is how to control the tremendous growth of the finance industry, which last year contributed an estimated 42 per cent of Jersey's gross domestic product, and 44 per cent of Guernsey's.

An aspect of the budgeting debate in Guernsey is whether some of the restraints should be taken off the finance industry in an effort to lift tax revenues. But there are strong political objections to the increased immigration and environmental pressures that would be generated.

The earning power of financial companies is way above anything that can be achieved in other sectors. Jersey's banks and fund management companies achieved profits of over £50,000 per employee in 1989. The Channel Island governments are encouraging local financial companies to aim at high value added activities that can generate taxable profits without the need to raise the local labour force.

For some time there have been attempts to diversify the offshore finance activities by reducing the traditional emphasis on business deriving from the UK. For example, Jersey and Guernsey have discouraged their banks and building societies from advertising in mainland newspapers for tax-free deposits, for example (although Guernsey, at least, has now dropped this prohibition, in the wake of UK tax changes).

The growing detachment from the mainland as a source of business could be underlined if the UK government takes its long-expected action against the use of offshore trusts by UK residents to avoid capital gains tax.

But to the Channel Island communities the fact that more business is flowing from Asia Pacific and from continental Europe (where links with Switzerland are developing fast) is a positive sign. This is especially so bearing in mind the possibility that a less friendly Labour government might be elected in the UK within the next year or so.

Links with the powerful Japanese and German economies are, however, less strong than the Channel Islands would like.

The islands insist that they remain open to new business from such selected areas, but at the same time they are turning away other kinds of financial companies, especially those that would duplicate existing operations.

Explaining Jersey's controversial "zero job growth" policy, which is aimed at cutting increases in jobs from 800 a year in the 1980s to nil in 1992, Mr Colin Powell, economic adviser to the States, insists: "Whereas last year there was considerable fear among the financial community about the effect of the restrictive policy, now they find that there is considerable flexibility."

But the generally lower level of bureaucratic interference in Guernsey may give it certain advantages if conditions do become markedly tougher.

Mr Riley, formerly Guernsey's Commercial Relations Officer, a leading civil service post, remarks that 10 years ago the island's star bank was Manufacturers Hanover, which has markedly reduced the scale of its activities, and the star non-bank was Tektronix, a US-owned manufacturing business which finally closed earlier this year. "Government attempts to pick winners are fraught with difficulty," he says. "If civil servants start interfering you are on a slippery slope."

BANKING

Emphasis on quality

Ashley Ashwood

Colin Powell, Jersey's economic adviser: highlights the rigorous regulatory requirements

THE Channel Islands have attracted many of the world's leading banks and intense competition ensures quality banking services for individuals and corporations.

The application of strict regulatory standards and the political stability offered by the islands are prime factors in gaining the confidence of both banks and their clients.

As Mr Martin Chambers, president of Jersey's Bankers' Association, pointed out: "How many places can you go in the world and be certain it is properly run and will be there in 10 years time?"

A notable recent development has been the arrival of UK building societies

The days of the indigenous bank are over and the Channel Islands are now trading up, he said. Over 80 per cent of the 60 institutions registered in Jersey have parents that appear in the top 500 world banks.

Deposits in Jersey's banks have resumed a strong upward trend in the past year or two, after pausing during the mid-1980s. Over the year to June 1990 deposits jumped by more than a fifth to £40.6bn, and there was a further rise to £42.1bn during the September quarter. There was speculation that Jersey branches of one or two banks with Middle Eastern connections, such as Standard Chartered, may have benefited from the flight of capital from the Gulf.

Although Guernsey's deposits are smaller they are also buoyant. From around £13bn at the beginning of 1990 they climbed to £15.5bn by the end of September as the full impact of the recent increase in the number of banks became apparent.

High sterling interest rates have encouraged many private investors to stay liquid, and interest rates have been rising for the D-Mark and yen. With stock markets around the world so uncertain, a lot of professionally-managed money is also sitting on the sidelines in bank accounts.

The islands' banks have much in common with each other and many offer private banking, trust and company administration, corporate banking, investment and offshore services for private and corporate clients. Banks say clients appreciate the concept of one-stop financial services institutions.

Private banking is on the increase for high net-worth individuals. It offers the client close personal contact with a banker who can advise on all aspects of his or her money management.

Jersey's regulation of undertakings law, to control immigration, has forced banks to be more selective in the types of business they handle as they shed or re-locate labour-intensive work.

While this is aimed at increased profitability, Mr Chambers has some reservations. "Development projects require greater commitment in the beginning and I hope we are perhaps not re-locating some of our future profitability at the same time," he said.

Regulatory requirements are high and even more rigorous than those laid down by the international Group of Ten Committee of Banking Supervisors.

Guernsey: number of banks and deposits

Year-end	Number of banks	Deposits (£bn)
1980	43	1.8
1981	42	2.7
1982	41	3.3
1983	41	4.2
1984	45	5.8
1985	47	7.2
1986	52	9.5
1987	54	8.8
1988	56	10.2
1989	57	13.0
Sept 1990	70	15.5

Source: Financial Services Commission

Mr Colin Powell, Jersey's economic adviser, said the G10 minimum standard of 8 per cent of assets for core capital was an embarrassment for the island because in Jersey it already averages 15 per cent.

Mr Peter Crook, superintendent of banks in Guernsey, said the minimum standard in Guernsey is 10 per cent of assets.

Guernsey is keen to draw more "managed" banks to its shores, banks which have no physical presence but which are managed – almost like a large individual account – by banks already established.

The islands' authorities see this as a way to raise banking output without unduly increasing the pressure on limited staff resources and space, and managed banks have recently been arriving at the rate of one a month.

Jersey has five managed banks. Mr Powell said they will only accept branches of banks as it is important they are seen to be in a relationship with their parent that does not carry the responsibilities of a subsidiary.

Jersey: bank deposits

Year-end	Deposits (£bn)
1980	7.9
1981	13.0
1982	14.0
1983	18.5
1984	22.0
1985	24.0
1986	25.0
1987	28.0
1988	31.0
1989	40.4
June 1990	40.6
Sept 1990	42.1

Source: Economic Advisers' Office

Guernsey, which has issued 72 banking licences, will not approve any local bank in the future, only branches and subsidiaries of international banks. The island's Financial Services Commission does not tolerate large individual loans, which are only permitted if a transfer loan agreement is made with the bank's main office.

The island has no deposit protection scheme and Mr Crook sees no need for one.

"Such schemes are basically to defend the weak and at the end of the day the depositor pays for them."

He said Guernsey's banks are large international banks so depositors do not need a protection scheme.

He sees the island as a deposit-taker and as three-quarters of funds taken there are routed to the London money market, it is a low-risk centre.

A notable recent development has been the arrival of UK building societies in the Channel Islands.

Deposits in Jersey's banks have resumed a strong upward trend in the past year or two

The two biggest, Halifax and Abbey National (the latter now actually a bank) have gone to Jersey. In addition there are five building societies operating in Guernsey; one acts in the local market and the others attract the expatriate market.

Limited staff resources have hampered the building societies' capacity to handle small accounts so the resulting average deposit is £25,000 and the societies rely heavily on information technology.

Transactions are discouraged. "We don't want these facilities used like bank accounts," said Mr Crook. He added that the performance of the building societies in Guernsey was still being assessed; and it was too soon to say whether building societies would prove worthwhile for the island.

The potential attraction of the building societies to the Channel Islands is that they have the ability to attract large volumes of savings from British expatriates around the world. This is especially so while sterling interest rates remain so high.

But Jersey and Guernsey regulators are much less keen on the idea that the offshore branches of building societies (or clearing banks, for that matter) should aggressively market tax-free deposits to mainland customers. The ending of composite rate tax in the UK, and the introduction of tax-free TESSA accounts, will in any case reduce the incentives for small mainland savers to go offshore.

Mr Crook said banking is on the increase in the Channel Islands and Guernsey has seen 17 new banks gain representation in the past 17 months, among them was Japan's second largest bank, Mitsui Taiyo Kobe. He said Guernsey only seeks institutions that will enhance the reputation of the island.

Sue Stuart

INSURANCE

A captive audience

GUERNSEY has become a world leader in the offshore captive insurance market, second only to Bermuda. The island has attracted captives not only from Britain and Europe but from all around the world and as far afield as New Zealand.

The first captive set up in Guernsey in 1922 and is still in existence but the industry really got going in the mid-1970s. Since then, the number has steadily climbed, by about 18 new captives a year, to reach today's total of 187.

The insurance industry employs about 550 people in the island and in 1989 produced £376m premium income.

A captive insurance industry is set up as a subsidiary of its parent to underwrite some or all of the parent company's risks.

Corporations are realising the many advantages of having their own captive, which include: obtaining lower cost insurance, enhancing group profits, covering risks difficult to insure elsewhere, greater control over risk management and access to the re-insurance market.

A captive based in a low or no tax offshore location will benefit from faster accumulation of reserves in the jurisdiction where it is incorporated than if it was based in the jurisdiction of its parent.

The insurance industry employs about 550 people on Guernsey

Most captives are run by insurance managers and Guernsey has licensed 24 unrestricted managers and seven restricted managers. Unrestricted managers have several captives on their books, while restricted managers can only act for insurers specified in their authorisation from the island's Financial Services Commission.

Mr Steve Butterworth, Guernsey's superintendent of insurance business, said the island targeted captive insurance companies as a growth area because they need few human resources.

"There is considerable room for captives that don't need staff and at the moment I cannot see a cut-off point," he said.

Expertise built in this field in Guernsey since the 1970s is one of the main reasons the island continues to attract more captives, Mr Butterworth feels. Close proximity to the UK – Heathrow airport is only 35 minutes flying time – is also important.

Steve Butterworth: Guernsey targeted captive insurance as a growth area

Unlike Bermuda and the Isle of Man, where there is no tax on insurance companies, Guernsey levies a small tax. This, Mr Butterworth said, was not a deterrent as "the total cost of the operation is no different. But the perception is and some companies like to be seen to pay tax."

Mr John Parkinson, managing director of International Risk Management, agreed that some companies want to pay tax for political reasons.

"One challenge from the Revenue has been that a captive was formed off-shore to avoid paying tax," he said. But he felt some business was lost to the island because of the tax levy.

However, the tax is minimal and companies can choose one of two methods of payments:

■ 20 per cent of net profit – this can be postponed and payment is triggered when claims are paid and a drawback made into profits from reserves

■ Sliding scale exempt method, which creates a tax liability of maximum £60,000 – tax of £1,000 per £1m on investment income on shareholders' funds.

There is a registration fee, payable to the FSC, of £1,300.

The commission requires an insurer has minimum share capital of £100,000. Mr Butterworth said some members of the industry would like to see this increased to £250,000 to enhance the island's good reputation.

A minimum solvency margin is set at 18 per cent of the first £5m of net premium income and 16 per cent thereafter. The 75 per cent of assets needed to maintain the minimum solvency margin must be approved by the commission.

Each insurer has to submit annually the audited accounts, a declaration by the general representative and a business plan.

The business plan is formulated by the company and the company must be notified of any changes in it.

Mr Parkinson said the regulations governing the industry were "fair, proper and provide a good framework within which to work".

They were originally drafted by members of the industry who were pressing for a stricter regime.

In such a close community it tended to be a self-regulatory industry. The reputation of one affected the reputation of them all and "the managers don't want any unsavoury characters here", said Mr Butterworth.

He added that information-sharing between regulators in different jurisdictions was on the increase and plans were being discussed to set up an international data base for this purpose.

The managers market their services individually and collectively and Guernsey held its second international captive forum this year and plans others.

Unlike Bermuda and the Isle of Man, Guernsey levies a small tax

Seventy-five of the island's captives have British parents, such as Beecham, Barclays Bank, Midland Bank and electricity and water companies.

The largest is Polygon, set up in the 1970s by a group of leading European airlines, including KLM, SAS and Swissair.

Polygon began life as a pure captive and it now has some 80 people on its staff and is reinsuring 80 per cent unrelated aviation business.

The insurance market is soft at present and members of the industry say this is a good time to form a captive, to avoid the disadvantages of any future rapid change.

Sue Stuart

PENSIONS: the search for a new financial product may be over

Tax law points the way

THE Channel Islands are always looking around for new offshore financial products and services and they believe they have found one: the international personal pension plan.

At the beginning of this year Jersey passed new income tax legislation which permitted so-called Article 131(C) plans to be launched. Norwich Union, the market leader, has sold more than 1,500 contracts since March, running to £19m in single premiums and £3.5m in annual premiums.

Guernsey does not like to lag behind Jersey, but its parallel personal pensions legislation has been delayed by problems with unconnected clauses relating to domestic occupational pensions. However, it is hoped in Guernsey that the new laws will come into force early in 1991.

There are subtle differences between the approaches of the two islands. Both want to ensure they gain revenue benefits from the products channelled through them, but whereas Jersey has provided that the pension plans must be sold through a resident insurance broker, Guernsey is likely to impose certain modest charges more directly against the investments.

The variations may partly be explained by the fact that Jersey has no life assurance companies of its own, whereas Guernsey has several, including Sun Alliance International and Providence Capitol.

The idea of offshore personal pension plans, sometimes called international retirement annuities, is regarded by some as little more than a marketing gimmick. Such products mimic some of the structure of onshore pensions, but with no direct purpose.

The structure of mainland pension schemes is devised by taxmen in order to tilt the savings playing field in a particular direction, to encourage people to provide for their old age. But the whole point of an offshore financial centre is that there is no tax as far as non-residents are concerned. So why should expatriate investors want to entangle themselves with mainland-style restrictions?

One reason is that offshore savers may simply be comfortable with the kind of schemes they are familiar with at home. A more tangible possibility, however, is that if offshore plans are structured in the right way it might be possible to transfer them onshore.

As Mr Rodney Benjamin, a Guernsey partner in consulting actuaries Bacon & Woodrow puts it: "It may be possible to persuade overseas jurisdictions to allow tax relief." Indeed, it is thought that Botswana will now grant tax relief on Jersey's 131(C) contracts.

In the case of the UK, however, the tax authorities have been unhelpful so far. Some of the early Norwich Union sales literature suggested that an offshore plan might be switchable into an onshore personal pension contract. The Inland Revenue has rejected this.

Mr Peter Ellenger, sales manager in Jersey for Norwich Union, says that if a British expatriate returns to the UK the investments in the 131(C) plan will be liable to capital gains tax. The tax could be avoided by cashing up before repatriation, but this might contradict the notion of a life-long pension plan.

Mr Ellenger insists that the Inland Revenue may yet relent. "It is still possible they may consider the plan being recertified as a mainland contract," he says. But nevertheless Norwich Union's marketing focus has shifted somewhat. "We are getting more business from foreign nationals and from people who have no intention of returning to the UK."

A shift of stance by the Inland Revenue in the UK may be necessary if offshore pension plans under the proposed Guernsey laws are to take off. "We are keeping an eye on the situation," says Mr Richard Mahy, marketing manager for Sun Alliance International, "but we do not anticipate that we will find the Guernsey legislation useful."

According to Jersey financial intermediary Mr David Spencer, of Actus, the volatility of sterling has proved a problem in selling sterling-denominated with profits plans to foreigners, but the UK's entry to the exchange rate mechanism may have reduced this obstacle.

"There is now the possibility of selling to Continentals," he claims. "These 131(C) plans are more attractive to foreign nationals than to UK citizens planning to repatriate." The profits structure is especially popular, accounting for some 90 per cent of the plans sold by Norwich Union.

Mr Ellenger of Norwich Union says that his company was considering a D-Mark-denominated plan but following ERM entry this idea has been shelved.

Offshore pension contracts are naturally much more flexible than their onshore equivalents, in aspects such as retirement age, cash commutation or the form in which benefits are received in retirement. They are not constrained by tax legislation.

The fact that they are being set up under Jersey (and soon Guernsey legislation) may give comfort to some of the planholders, but it is not clear that Channel Islands' plans offer anything that could not be found in other centres, where this particular kind of pension plan formula has not been seen as relevant.

The product that many international workers might really be enthusiastic about would be one that could be combined with mainland personal pension plans, ideally in different leading jurisdictions, so that contributions could be maintained through alternating spells of onshore and offshore employment. Neither island seems likely to be able to offer such a facility in the near future.

At any rate, Mr Peter Ellenger in Jersey appears to be unworried by the threat of rival schemes from Guernsey.

Barry Riley

The offshore funds sector is still thriving, writes **Barry Riley**

Arrivals offset the doubts

A hint of recession is detectable in the still thriving offshore funds industry in Jersey and Guernsey.

The poor performance of the global equity market has inevitably dragged down the overall value of the funds under management, and has trimmed the income of the management companies. The lure of sterling interest rates running at 15 or 14 per cent all this year has encouraged many potential mutual fund investors to keep their money on deposit.

Moreover, the European offshore funds business as a whole is undergoing something of a geographical reorganisation, with the departure of certain Channel Islands funds to other domiciles, notably Dublin and Luxembourg.

But new collective funds continue to arrive regularly in Jersey and Guernsey, both open-ended schemes, better known as mutual funds or unit trusts, and the much less well-documented closed-ended funds, which are structured like UK-style investment trust companies.

The islands have the capacity to take on a lot more business

The bare figures for open-ended funds show that, in the case of Jersey, the number of funds fell by one to 169 during the quarter ended September, and the value (in what was a bad period for stock markets around the world because of the Gulf crisis) dropped from £6.7bn to £5.3bn.

Over in Guernsey the number of funds has continued to rise, reaching 147 at the end of September (and now over 150). According to Mr Nigel Taylor, the Guernsey Financial Services Commission's superintendent in charge of fund regulation there remains a two-month queue for authorisation, even in the difficult market conditions.

The net asset value of £2.9bn is lower than for Jersey. But Guernsey has more of the highly-regulated funds which are accepted by the UK's Securities and Investments Board for mainland marketing. Guernsey has some 50 of these Class A funds, whereas only 24 are in Jersey's corresponding Recognised Fund class.

In each island there is a substantial additional category of closed-ended funds, including various "country funds", emerging market funds and east European funds. But because these come under different legislation from the open-ended schemes accurate statistics are not maintained.

The fund management industries look forward to further growth, especially after the stock market begins to recover, but there is recognition that the political pressure in the Channel Islands for population control must be respected.

"The islands do have the capacity to take on a lot more business," says Mr Bruce Riley, chairman of the Guernsey Fund Managers Association and managing director of Guinness Flight.

"What we don't need is a large number of new institutions," he adds.

Thus fund companies coming to Guernsey are required to operate through one of a number of established fund administrators, often formerly departments of banks but now required to be separated by the regulators.

For example, Management International (Guernsey) is owned by Bank of Bermuda, and looks after 39 schemes (including closed-ended funds) worth some $2bn.

High value funds are still arriving, according to its managing director, Mr Christopher Wilcockson. "Guernsey has been very attractive for specialist funds which want to market to institutions," he says. "The market has changed here. We are seeing much more in the way of institutional products."

At nearby Guernsey International Fund Managers, a Baring Brothers offshoot, managing director Mr Jeffrey Burton also administers more than $2bn worth of assets, though for around 100 different entities, not all domiciled in Guernsey.

Such management companies often operate internationally, as has been demonstrated by GIFM's recent decision to set up a subsidiary in Dublin's new international financial services centre.

"We took a decision to go to Dublin rather than Luxembourg," says Mr Burton. "Then Barings decided to rationalise its funds. Twenty funds from five jurisdictions are being consolidated in Dublin from January 1." These include three funds transferred from Guernsey.

Channel Islands fund managers accept that Luxembourg and Dublin are better locations for retail funds that are to be marketed as Ucits (Undertakings for Collective Investment in Transferable Securities) within the European Community.

In Jersey, for example, Wardley – part of the Hongkong Bank Group – has packed its bags and gone to Luxembourg, and Fidelity has taken most of its funds off to the same destination.

But Mr Hugh Ward of Capital House, the Royal Bank of Scotland offshoot, who is deputy chairman of the Jersey Fund Managers Association, claims that the island is in "pretty good shape".

"The Channel Islands are attracting a lot of business in institutional funds and closed-ended funds," he points out. "There is scope here for specialist schemes such as mezzanine funds and venture capital funds. Luxembourg is not so good yet for this type of fund."

But retail fund management companies are often being forced to make some quite harsh choices. Robert Fleming, for example, has abandoned its Save & Prosper brand name for its Jersey unit trusts as part of an offshore reorganisation, and its Jersey office now reports to Luxembourg rather than to London.

"This is designed to eliminate double marketing," says Mr Trevor Falle, Fleming's marketing director in Jersey. Sales territories are now clearly divided up. "We now have a sterling base in Jersey and a non-sterling base in Luxembourg."

The fund management industry looks forward to further growth

It is the retail funds invested in equity markets which are under the greatest pressure. But elsewhere Mr James Jenkin, in Jersey's Commercial Relations Office, notes that specialist funds in, for example, oil or financial futures, or gold-linked funds, are more active.

"People are constantly inventive," he says. "There has been a lot of investment in these kinds of vehicles, with the stock market weak."

Jersey: open-ended collective funds (30/9/90)

Fund type	Value (£m)	Holders (000)
Gilt	687	77
Money Market	354	10
Bond	247	4
Commodity	21	1
North American	135	5
Far Eastern	133	3
Japanese	281	8
Australian	1	-
European	140	4
UK Equity	92	4
International	435	16
Multi-class	2,888	34
Feeder	46	2
Totals	5,327	168

Figures supplied by members of the Jersey Fund Managers Association

Number of registered companies at year end

	Guernsey	Jersey
1980	6,690	13,813
1981	7,295	15,210
1982	7,631	16,643
1983	8,036	18,142
1984	8,663	19,305
1985	9,279	20,546
1986	10,035	21,874
1987	11,106	22,999
1988	12,058	25,131
1989	13,059	26,399

Source: Jersey Statistics Digest and The Greffe

REGULATION: the search for respectability. **Barry Riley** investigates

A haven for mainland supervision levels

THESE DAYS, offshore financial centres need to be respectable. So whereas once the whole point of offshore havens was that they were free of regulation, today they tend to boast the same kind of financial supervision commissions and extensive legislation as mainland jurisdictions.

One convenient side-benefit is that the regulators in places such as Guernsey and Jersey can turn out pages of statistics where once there were only guesses and evasions.

But it is not quite the same, of course, as being onshore. The regulations are not usually quite as tight, and there may be unregulated as well as regulated sectors. For example, what goes on in the shadowy offshore trust business in the Channel Islands is still largely unknown. There are also different categories of investment funds, some suitable for marketing in the UK and some not.

The history of the offshore finance industry in the Channel Islands is still quite short, going back to the 1960s. Originally there were significant numbers of purely local firms, sometimes of dubious reputation. The first phase of the regulatory process involved the gradual squeezing out of these offshore enterprises and the encouraging of respectable mainland institutions to set up in the islands.

In this way the Channel Island jurisdictions could effectively piggy-back on mainland regulators. Whichever banks or investment firms were authorised in the UK or the US or other well-supervised countries could safely be allowed to set up in the offshore centres.

An informal network of contacts between the onshore and offshore regulators has been established, so that information can be exchanged on a confidential basis.

For Jersey and Guernsey this approach has brought regulation on the cheap. But it is not always wholly satisfactory because it leaves the offshore centres still exposed to mainland inadequacies. Small problems onshore may translate into big problems for the offshore centres.

Fortunately for the Channel Islands the brunt of the Barlow Clowes scandal was borne by Gibraltar, but more recently this year's mainland bankruptcy of the British & Commonwealth Group has created problems. Investors in the Channel Islands have had substantial deposits (some £20m in Guernsey) frozen in the local subsidiaries of B & C Merchant Bank, which has been suspended for some months by the Bank of England.

In most circumstances mainland banks in leading jurisdictions can be regarded as safe, but at present the risks are unusually high. And the deposit insurance schemes which provide a safety net to mainland bank customers do not extend to Jersey or Guernsey. In non-banking business sectors the passage of the Financial Services Act 1986 in the UK posed a large challenge to the Channel Islands, and the islands have also needed to respond to the developing legislation of the European Community as it heads towards a single market in financial services.

But Jersey and Guernsey have adopted different structures. Jersey has been content to retain financial regulation within its civil service, but some three years ago Guernsey set up its separately-constituted Financial Services Commission. Elsewhere, the Isle of Man has also adopted the principle of a separate regulatory body.

Ashley Ashwood

John Roper: further snags over Japanese rules

Does Jersey need such a commission? "We haven't seen the need up to now," says Mr Colin Powell, economic adviser to the States and Jersey's top civil servant. "But that is not to say it won't happen at some time in the future."

An important question is whether adequately skilled staff can be attracted within civil service pay scales. This posed problems in Guernsey several years ago, but the GFSC was able to recruit outsiders at competitive rates, on the argument that it would be able to charge fees sufficient to cover its costs.

Indeed, in 1989 the fees it charged of £585,000 were just enough to cover running costs of £598,000, and taking into account other income the commission turned in a surplus.

Another point is that whereas Jersey has big banking and mutual fund sectors it does not have the third leg which Guernsey possesses in its offshore insurance business.

Guernsey regulators also argue that because they are slightly detached from the political and civil service framework practitioners are more likely to approach them for informal advice.

However, this points to a possible conflict of interest for offshore regulators. They are there to protect the reputations of the islands – but they are also expected to promote the narrow business interests of the island communities, effectively to help lift revenues, including the tax take, without raising the demand for scarce labour. They do not have a simple investor protection brief like that of the Securities and Investments Board in the UK.

A potential conflict has arisen, for example, over suggestions that certain banks should strengthen their management by appointing financial controllers. But this would mean that experienced mainland executives would need to be recruited and brought over – something to which the local politicians would be fiercely opposed.

In fact the regulators may actually be used to fight battles on behalf of the local financial communities. A good example is the long-running argument with Japan over whether Jersey and Guernsey funds are eligible for sale to Japanese citizens in the same way that, for example, Luxembourg funds are.

It has all hinged on an obscure Japanese rule that overseas funds must be domiciled in a member country of the Organisation for Economic Co-operation and Development (OECD). According to Mr Powell's recently-published annual report it has finally been established that Jersey and Guernsey are covered by the UK's ratification of the OECD Convention.

"With the benefit of this declaration negotiations are continuing to obtain the agreement of the Japanese authorities that Jersey mutual funds may be marketed to the residents of that country," says Mr Powell.

But according to Mr John Roper, director general of the Guernsey Financial Services Commission, a further snag is that the Japanese rules do not extend to an OECD member country's possessions. This would seem to rule out the Channel Islands if they were UK colonies, but technically they are not, being direct possessions of the Crown. So the legal arguments continue.

Another battle of recognition is being fought with Luxembourg over whether Guernsey A class funds, which are accepted by the UK as being covered by an equivalent level of regulation to similar mainland funds, should qualify for listing on the Luxembourg Stock Exchange.

Snags have been experienced by a Guernsey merchant bank in obtaining a Luxembourg quote for one of its funds, and Mr Roper has written to the Institut Monétaire Luxembourgeoise to seek clarification.

At any rate the regulators are now well entrenched, and are less unpopular than might be expected, given that these were previously free-and-easy financial centres. One Jersey financial intermediary, Actus, has joined the UK regulatory body Fimbra, one of only two Channel Island firms to do so.

This voluntary action adds credibility, says Mr David Spencer of Actus, and he is worried that local regulation does not yet extend to the financial intermediary sector.

ALDERNEY

Tentative steps on the path to a financial centre

THE TINY island of Alderney, just 3½ miles long, has set itself the task of becoming an international finance centre. But its government's aspirations are far more modest than those of the governments of its sister islands, Jersey and Guernsey.

Alderney is part of the Bailiwick of Guernsey and enjoys the same tax laws. However, it has to manage its own finances and, for the first time since the last war, is facing a budget deficit. Its main source of income, about £2½m, is income tax levied on individual residents, many of whom are retired and living off their investments.

Options for generating income are extremely limited in such a small space and where the population numbers just over 2,000 people. Hence, the decision to emulate its larger neighbours.

In fact, Alderney is already dipping its toes into the waters of offshore finance and several professional financial services can be found in the cobbled streets of St Anne, the island's small town.

The arrival of Portman Channel Islands, a wholly-owned subsidiary of Portman Building Society, in Alderney in October this year was much heralded by the local authority. The commitment by Portman, the 14th largest society in the UK, is hoped to encourage other reputable institutions to consider Alderney as their Channel Islands' base.

Portman offers accounts for local residents, expatriates and international investors from this offshore base. The office has two permanent personnel and a manager who visits once a week. This is very much the style of operation that Alderney is seeking.

Mrs Eileen Sykes, vice-president of the island's legislature, said: "Although we have very little unemployment we do have a pool of clerical staff and managers would have to be brought in to the island. We are seeking businesses that use communications technology and are not labour-intensive."

The building society is housed in Ollivier Court, a traditionally-designed purpose-built office complex in St Anne. Also housed in the 17 offices are a firm of lawyers, a corporate consultancy business, and Mitchell and Partners, the estate agents handling the complex. Although it is a private development, the local authorities are keen to promote its occupation by financial institutions.

Just across the street are the offices of Dubarry Trustees, a firm providing trustee and financial services to a worldwide client base. Dubarry's parent company was established in Jersey 25 years ago but the need to expand led the company to open its Alderney office in 1988.

Ms Barbara Kalman, a lawyer and director of Dubarry, said the island is an efficient place to be based. "We only need the telephone, fax and a modem link and we can work worldwide," she said.

Another Alderney-based institution with clients worldwide is Guinness Flight and Calder. Mr Douglas Calder, a lawyer, spent 20 years in the Cayman Islands, where he was instrumental in those islands' development into an offshore finance centre.

He returned to Alderney four years ago and sees potential for the island in the financial services field. He said it has most necessary attributes, such as English language, political stability, decent legal system and geographical position. He said it needs new company and trust laws and a new court system.

"Alderney could attract first class trust, law and accountancy firms worldwide and cubicle banks that could be run by trust companies," he said.

The need for new company law is reiterated by Mr Roger Featherstone, an accountant in the island since 1982. He pointed out it was possible for him to get a company in the Caribbean in a day but in Alderney it takes a week.

Options for the generation of income are extremely limited

Not everyone welcomes the prospect of expansion of financial services in the island. Mr Peter Nunn, who runs Ingham International, which handles international insurance, investment and financial planning, feels the sector is as big as it can ever be. He expressed doubts about the ability to put the required infrastructure in place and about staff recruitment, the latter because of the lack of residences.

However, Mrs Sykes said there was sufficient property available and no restrictions on residency. Prices for residential property in Alderney range from £100,000 to £500,000.

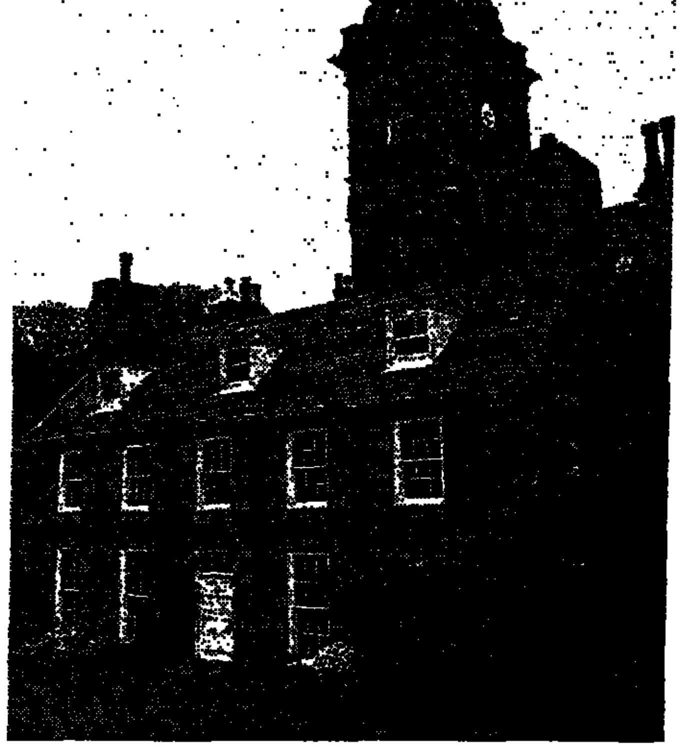
It is doubtful whether such a small community, where business life revolves around the local shops, three farms and a fishing fleet of nine boats, could withstand the culture shock of a full-blown financial services sector in its midst.

But limited expansion in the type of services already successfully operating in Alderney could generate sufficient income to ensure a healthy internal budget for the island, while retaining its charm and quality of life. It is these two latter attributes that attract the retired island residents whose income tax constitutes such a large portion of Alderney's income.

Sue Stuart

An expertise in the field of trust and company administration underpins the financial sector

Discretion is the better part of value



The home of the ruler of Sark where the lordship is hereditary

UNDERPINNING the Channel Islands' banking and investment business is the offshore industry of trust and company administration. Because of its personal and confidential nature this service receives minimal publicity, except when something goes wrong. But hundreds of staff in lawyers', accountants' and banks' offices are employed protecting and administering assets of the world's wealthy.

Trust and company administration forms the backbone of any offshore financial centre. Liquid assets under administration are usually passed to local banks and investment institutions, thus providing a substantial part of an offshore centre's deposit base.

Expertise developed in this field over the past decades, coupled with the presence of top ranking banks and investment institutions, has made the Channel Islands first choice for many high net worth individuals.

Recent newspaper articles in the UK about the use of offshore trusts by wealthy UK residents to avoid capital gains tax have rekindled fears that the British Government will take corrective action in its next Budget. There was already a round of beat-the-Budget trust formation last winter. But existing trusts are unlikely to be affected, and these days the Channel Islands reach out to a global clientèle.

Trusts in Britain were known as far back as the 14th century, when a knight granted life interest to his servant to farm the land. The main purpose of trusts was always to provide protection for those who could not protect themselves. But since the 1940s trusts have been recognised as having broader uses as part of legitimate tax planning.

Mr Charles Parkinson, of Pannell Kerr Forster in Guernsey, said trusts form a main part of accountancy and banking business in that island.

"Ideally trusts are formed with assets that have not yet really appreciated," said Mr Parkinson.

"The subject matter may be or become a share portfolio, so then trustees employ a stockbroker. But since the market crash most now sit on cash deposited in local banks."

A trust can last up to 100 years and has three parts: the settlor, who gives the asset; the trustees, who administer the asset according to the settlor's wishes; the beneficiary, who ultimately receives the asset.

There are four main types

- Freezer – low value asset put in trust which later realises high value and thus defers capital gains tax
- Accumulation and maintenance – provision for the next generation
- Life interest – settlor retains income for life and the trust has power to return capital to the settlor so defer capital gains tax
- Conventional discretionary – UK residents' tax planning arrangement.

The main reason for setting up a trust offshore is to defer or avoid capital gains tax, though it may provide opportunities for deferring income tax. Jersey introduced new trust law in 1984 and Guernsey in 1989 and professionals in both islands say this has helped them considerably. Mr Clive Barton of Moore Stephens, president of the Jersey Society of Chartered and Certified Accountants, said the new law helps when there is any uncertainty in the trust deed.

Moore Stephens' expansion in Jersey is indicative of growth and trends in trust and company administration business in the Channel Islands. In 1974 they had five staff and clients were from the UK, non domiciled but resident. Now they have 75 staff and their work is almost entirely international with very few UK based clients.

Mr Barton said: "Over the years Jersey has established itself as a financial centre, it has never been a tax haven. I always think of tax havens as banana republics.

Offshore companies are often run in harness with trusts, usually to provide an additional layer of protection for the assets.

There are two types of company available in the Channel Islands – exempt and resident. Exempt companies pay an annual duty fee while resident companies pay income tax.

The corporation tax company has been eliminated in both Jersey and Guernsey. Its demise also marked the end of the "Sark lark", a feature of non-Channel Island resident companies that was embarrassing the authorities.

The neighbouring island of Sark is a different jurisdiction and its residents were paid fees to act as nominee directors for Jersey and Guernsey corporation tax companies.

Board meetings of these companies had to be held outside the two larger islands, so there was a steady flow of lunchtime visits to Sark to comply with regulations.

While most professionals and those in the authorities are pleased to see the end of this ritual, no doubt some Sark residents are not so happy with the cut in their income.

As well as lawyers and accountants, banks also offer trust and company administration services. Mr Richard Moseley, managing director of Midland Bank Trust Corporation in Jersey, said they are doing more international business now. Many clients come through Midland's private banking arm or already have large deposits with the bank.

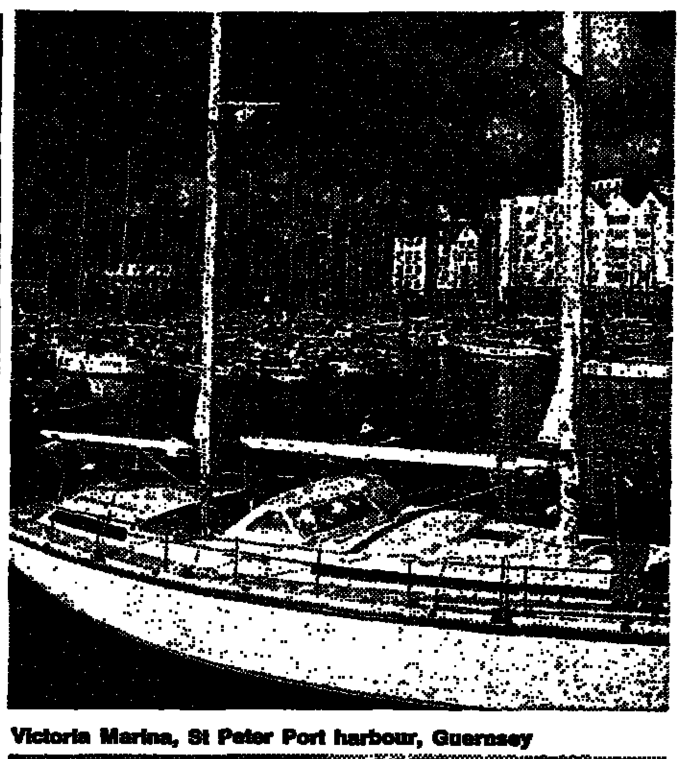
Mr Moseley also feels the UK's perception of offshore has improved. But next on their list is 1992 and Europe and he said they are addressing how Europeans can link into trusts.

Sue Stuart

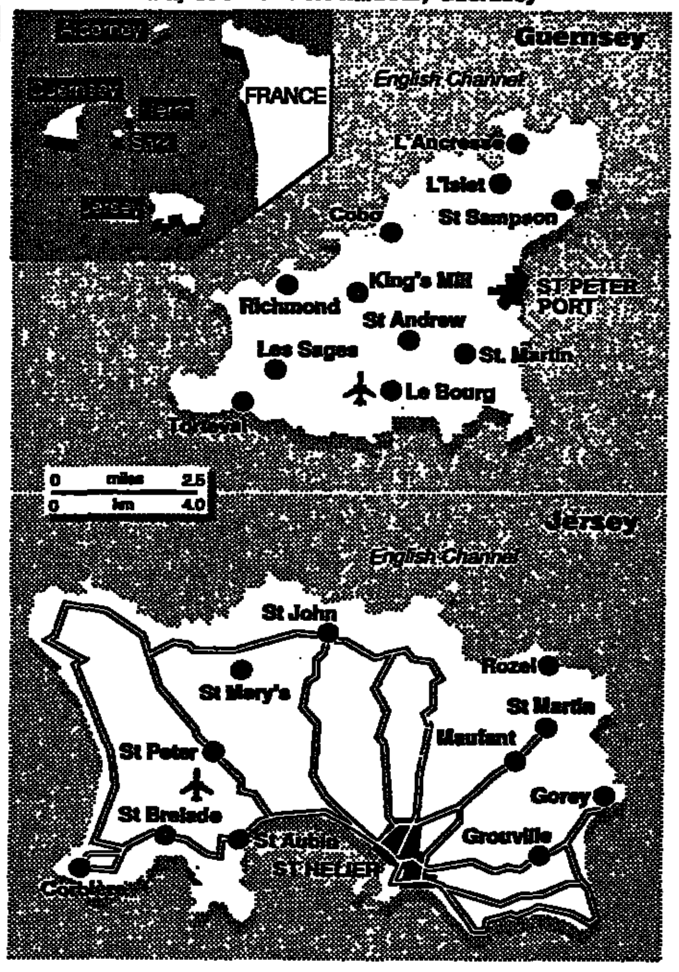
CONSTRUCTION

Pressures on space

Senator Jeune: wants to maintain standards of living



Victoria Marina, St Peter Port harbour, Guernsey



TOURISM: end of the bucket and spade era

A more mature market

LONDON STOCK EXCHANGE

Shares steady in increased turnover

INVESTMENT institutions were active in the UK stock market yesterday rounding off their portfolios ahead of the Christmas holiday and the year-end. With only three trading days left before the market effectively hibernates until the new year, share volumes were surprisingly high, with a £45m trading programme from a leading securities house, a batch of tax-loss deals and some activity in takeover stocks all helping to boost Seaq trading. However, outside these selected areas, genuine investment activity was modest.

The mood of the market continued to change between cautious optimism for the medium term outlook and distinct nervousness over the immediate outlook. News that the UK government's Public Sector Borrowing Requirement (PSBR) surpassed market expectations by rising to £1.3bn last month was even seen to be an encouraging investment factor.

Account Dealing Dates		
*First Dealings:		
Dec 10	Dec 31	Jan 14
Option Declarations:		
Dec 27	Jan 10	Jan 24
Last Dealings:		
Dec 28	Jan 11	Jan 25
Account Day:		
Jan 7	Jan 21	Feb 4

*New-time dealings may take place from 8.30 am two business days earlier.

Kleinwort Benson Securities, the UK merchant bank, told a conference of institutional investors that it regards the UK equity market as "one of the world's cheapest", noting that in 1991 UK inflation will half, interest rates will fall, the recession will end, oil prices will ease and equities could benefit from the overhang of institutional money.

However, concern over the near term outlook continues to unsettle equities, not least the renewed speculation of further cutbacks at leading securities firms, perhaps to the point of some houses withdrawing from equity trading. Hopes for early reductions in base rates continue to recede.

Equities opened briskly yesterday and moved up by nearly 8 FT-SE points as stock was bought back to match several large tax-loss deals operated at the close of Monday's session. The PSBR news at mid-morning encouraged the view that increased government spending may help share prices next year, particularly in the battered building and construction sectors.

The trading programme, which consisted of matched buy and sell operations across the full range of equities, helped turnover along but share prices soon began to slip from their best levels. The London futures market gave little help to the underlying equity sector. Although the December contract on the FT-SE Index held a good premium against fair value throughout, much of the interest lay in switching into the March contract, which takes over as the operative futures instrument on the first day of next year. Today brings the expiry of the December share options contracts, and this also distorted trends in the option market itself.

In spite of a firm, if irregular, opening to the new Wall Street session, which brought a gain of 11.38 Dow points in London hours as New York responded to favourable news on US consumer prices in November, the UK market gave back much of its early gain.

The final reading put the FT-SE Index at 2,161.8, a rise on the day of 3.9. Seaq volume, incorporating both retail and inter-dealer business, totalled 575.3m shares, against only 333.8m in the previous session.

Nervousness over the Gulf situation, where prospects for a peaceful solution appear to have been reduced with the apparent break-down of plans for direct discussions between the US and Iraq, continued to unsettle underlying confidence in equities. Analysts commented that over the past month the UK market has on several occasions reacted quickly to bad news from the Middle East.

FINANCIAL TIMES STOCK INDICES

	Dec 18	Dec 17	Dec 14	Dec 13	Dec 12	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	82.74	82.87	83.37	83.31	83.39	84.16	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	91.08	90.93	91.14	91.02	91.17	92.33	92.91 (8/1)	83.60 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1694.2	1690.2	1701.2	1704.9	1692.2	1852.5	1968.3 (3/1)	1510.4 (24/9)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	138.2	140.1	138.8	139.1	141.8	311.3	378.5 (8/2)	138.2 (18/12)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2161.8	2157.9	2169.4	2172.2	2158.9	2342.1	2463.7 (3/1)	1990.2 (28/9)	2463.7 (3/1/90)	986.9 (23/7/84)
FT-SE Eurotrack 100	972.98	972.00	992.71	996.21	993.61	-	1003.35 (6/12)	948.31 (27/11)	1003.35 (6/12/90)	948.31 (27/11/90)
Ord. Div. Yield	5.66	5.67	5.65	5.62	5.68	4.59				
Earning Yld %(full)	11.81	11.84	11.79	11.74	11.86	11.21				
P/E Ratio(Net)(☆)	10.22	10.20	10.26	10.29	10.19	10.79				
SEAQ Bargns 4.45pm	23,606	25,305	32,604	31,637	38,640	32,224				
Equity Turnover(£m)†	-	839.26	957.44	1315.89	1162.87	1374.86				
Equity Bargains†	-	26,786	35,830	39,727	47,152	33,888				
Shares Traded (ml)†	-	314.7	444.2	616.6	515.0	855.4				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 100 31/6/90. ☆ Nil 10.05

Ordinary Share Index, Hourly changes Day's High 1697.1 Day's Low 1685.8

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1692.0	1686.1	1689.8	1693.7	1693.1	1693.0	1692.0	1694.0	1695.7

FT-SE, Hourly changes Day's High 2165.7 Day's Low 2153.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2159.6	2153.4	2159.6	2164.9	2162.4	2161.7	2161.0	2162.1	2162.9

FT-SE Eurotrack 100, hourly changes Day's High 975.93 Day's Low 971.32

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
973.73	974.39	974.64	972.60	972.61	971.73	972.66

GILT EDGED ACTIVITY

Indices*	Dec 17	Dec 14
Gilt Edged Bargains	87.7	89.5
5-Day average	90.2	93.7

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

Swedish claims hit Glaxo

GLAXO was one of the worst performers in the FT-SE 100 after analysts reacted bearishly to a presentation by Astra, a Swedish pharmaceutical company that makes a rival to Glaxo's Zantac – the world's best selling drug.

Astra claimed the growth in sales of Zantac was suffering in the important US market, as well as in France, Italy, Germany and Sweden. Both drugs are stomach ulcer treatments, although Astra's Losec is only approved for acute cases. The company has filed for approval for long term treatment.

Analysts at UBS Phillips & Drew said investors should be aware that Astra's views could be biased. Nevertheless, they recommended taking profits, considering Glaxo had had a good rise in recent weeks on US buying. The shares retreated 11 to 854p, having bottomed at 849p. Turnover was a strong 3.5m.

Increased stake

Burmah Castrol yesterday picked up another 6 per cent of the shares of its bid target Foseco. Two major institutions are understood to have sold the stock, which raised Burmah's total stake to 29.8 per cent. A Burmah spokesman commented: "This clearly demonstrates that shareholders accept our arguments that the Foseco defence is seen to be without substance."

Foseco eased 2 to 294p on turnover of 10m, a figure which represented double counting of two substantial purchases of Foseco stock by Burmah, one of 4m at 300p cash and another of just short of 1m for the same price. Burmah came under pressure as the session wore on and eventually closed 8 down at 505p, albeit in relatively thin trading of 278,000 shares.

Some chemicals specialists took the view that Burmah could come under pressure whatever the outcome of the Foseco bid. "If Burmah loses out in the bid battle, it will be made to look incompetent after losing its third successive takeover tussle in recent years," said one analyst.

Burmah previously made unsuccessful attempts to take over Laporte and Croda. He added, however, that if Burmah won the Foseco battle, "would it manage the assets any better than Foseco has?"

Yet more brokers' downgradings kept a lid on the stores sector. Analysts are anticipating trading statements from several retailers after Christmas concerning crucial pre-Christmas sales levels.

Smith New Court joined others on Boots, cutting its forecast for the current year from £377½m to £365m after a meeting with the company. Cazenove was also said to have reduced its figures on Boots. Concern over Boots' Payless do-it-yourself business encouraged the broker to take another look at W.H. Smith, which owns the rival Do-It-All chain and was down 6 at 374p. After taking into account the wider malaise in the economy too, Smith reduced its estimate on W.H. Smith for the present year by £2m to £93m and for next year by £12.5m to £107.5m.

UBS Phillips & Drew downgraded Storehouse, taking its forecast for the current year from £30m to £25m; the stock shed 2 to 108p. Burton were 2 easier at 80p. A block of 6.8m Burton shares in the late programme trade pushed total volume to 13m. Marketmakers said a line of 3.1m Ratners were placed at 171p. The shares receded 5 to 174p.

There was selective support for the electricity "discos" in front of what is expected to be a session of much higher turnover as private investors receive their allotment letters and take profits on their scaled-down holdings. Commenting on the day's proceedings, one trader in the sector noted: "It is very squeezy at the moment, but we should see a substantial pick-up in action when the big banks get their systems to click on to the expected flood of small sales."

Yorkshire maintained their good run, adding a further 5 at 168p on 2.8m, while East Midland and Norweb followed closely with gains of 4 each at 148p and 151p respectively on turnover of 3.7m and 1.5m. London, up 2½ at 146p on 3.6m, and Midland, 3 firmer at 145p on 3.6m, were also prominent. The Electricity Package added £22 at £1515.

Water issues were broadly higher, but traders described levels of business in the stocks as pitiful. The excellent profits and dividend increase at Wessex, in the news last week as French group Lyonnaise des Eaux Dumez sold its 6 per cent shareholding, triggered support for the shares, which rose 8 to 256p. The Water Package was £25 up at £2605.

The revelation by art auctioneer Christies that autumn season sales had fallen by half sent the shares 13 lower at one point. They recovered to 159p, a loss of 8 on the day. Volatile Sotheby's dropped 50 to 538p.

Shandwick, the public relations group, dropped 10 to 63p. There was talk of a line of stock overhanging the market.

The market had more than discounted a 36 per cent fall in interim profits to £2.2m from advertising agency Gold Greenless Trott. The shares climbed 7 to 58p.

There were numerous heavy individual trades in a banks sector still feeling the effects of the recent barrage of profit downgrades. Barclays, whose shares have been badly mauled by the big cuts in analysts' forecasts, staged a minor rally, closing 4 ahead at 353p on 7.9m, helped by a broker's recommendation to switch into the stock from Lloyds. The latter dipped 4 to 282p on 5.9m. Midland, where the most bearish pundits have pencilled in a pre-tax loss for the current year and it is still suffering the after-effects of the cancellation of the merger plan with Hongkong and Shanghai Banking, fell 11 to 198p on 2.5m. NatWest eased 5 to 264p on 5.2m.

Programme trade activity was said to have stimulated the composite sector. Guardian Royal were slightly easier at 186p on 4.3m and Royals 3 harder at 408p on 1.1m. Commercial Union picked up 6 to 487p after the group announced it is maintaining its "with profits" bonus rates "despite the difficult economic and investment conditions".

More downward pressure on crude oil prices – February Brent slipped some 35 cents a barrel – did not dent what was a pretty solid performance by the oil majors.

British Gas shares maintained their recent steady performance, still helped by the 50 per cent stake in the encouraging oil discovery made in the Gulf of Suez; turnover in the stock reached a good 12m shares.

BP, where 9m were traded, was a firm market and settled 5 higher at 332p, while Shell were aggressively bought and rose 9 to 459p on 5.1m. Hoare Govett, in its latest oil and gas monthly, highlighted Shell as its preferred stock in the larger oil companies.

The Hoare oil team said: "Despite the US offer for Gulf-negotiations and confusion over UN resolutions on the Palestinian question, it would be wrong to rule out the prospect of war; the period to mid-January is likely to be volatile." Hoare emphasised that the oils sector is "at its slowest point since the Iraqi invasion", and that many of the stocks look "fair value on medium term prospects".

Ultramar made good early progress to touch 329p before running into a fair weight of selling late in the day – closing 2 off at 324p on 3.9m – amid suggestions that the company had brought forward the routine maintenance programme at its Californian refinery because of a narrowing in refining margins.

A block of 800,000 shares in Calor was said to have featured in a big programme trade and the stock settled 5 off at 284p on 1.6m.

Builders failed to shake off their gloom as brokers continued to lower forecasts and hopes for an imminent cut in interest rates receded. Tarmac, which became the latest victim of the downgrades, lost 7 to 238p after Kleinwort Benson trimmed its profits figures from between £210m to £200m to £190m for this year and from £240m to £210m in 1991.

Mr Jamie Stevenson at Kleinwort commented that while the new assessment was "no panic downgrade", a visit to the company had confirmed its view that earnings at Tarmac are not going to increase much next year, if at all.

The announcement that IMI has acquired 2.2m shares in Birmingham Mint and was making an increased final offer for the company pushed the latter's price up 9 to 94p, but did not help IMI's share price. The issue has been easing in the wake of a number of downgrades and yesterday IMI lost ½ to 205p.

ERF added 30 at 153p amid continued speculation about a possible overseas bid for the company.

Good results from NFC cheered the transport sector. The company saw profits rise to £97.7m in the year to October 1990, against £90m in the previous year, while the final dividend was announced at 1.8p. The profit figure exceeded the company's "best view" of £97m for the year, and Mr Matthew Stainer at Hoare Govett commented that "under the circumstances the results were pretty good". However, there was no doubt that the first part of next year would be difficult, he added. NFC put on 8 to 124p.

Morgan Crucible, the industrial materials group, bowed to a downgrading by Smith New Court and closed 7 weaker at 212p. Mr Bruce Davidson at the investment bank cut his profits estimates for both this year and next, citing the Holt Lloyd Car Care subsidiary as the chief problem area. The new figure for 1990 is £60m, down from £67m, while that for the following year is £64.5m, previously £72m. The group usually reports its annual results in March.

The market appeared reluctant to bless the intended marriage of waste management companies Shanks & McEwan and Rechem Environmental Services. More needs to be known why Rechem was willing to talk, commented Mr Robert Miller-Bakewell of County NatWest, as the shares of both concerns gave more ground. Shanks closed 18 lower at 1170p and Rechem 7 down at 573p, after 568p.

The bid excitement aroused last week by the simultaneous suspension of the two waste management stocks faded completely and other environmental or "green" issues fell back to earth. Leigh Interests was most affected, losing 8 to 307p.

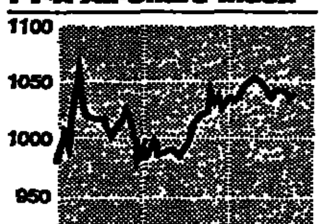
Industrial holding company Mosaic Investments responded strongly to impressive interim results. Profits jumped 76 per cent to £3.35m, the dividend payment was increased and the directors were confident of a successful outcome for the full year. Mosaic ended 15 higher at 270p.

CH Industrials tumbled 7 to 16p after reporting extremely poor first half results and warning that the trading outlook for the rest of the year would remain difficult.

A shortage of stock continued to help Bass, which ended another 16 up at 1069p. Devenish, the west country-based brewer, rose 10 to 14½p after selling three subsidiaries for £15m cash.

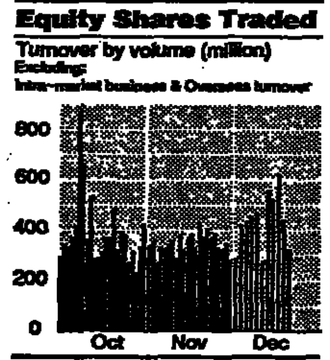
■ Other Market statistics, including the FT-Actuaries share index, Page 21

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (8).
CORPORATION LOANS (1) BUILDINGS (1) STORES (1) INDUSTRIALS (1) London International, TRUSTS (5).
NEW LOWS (94).
AMERICANS (1) CANADIANS (2) BREWERS (2) BUILDINGS (6) CHEMICALS (2) STORES (4) ELECTRICITY (2) ELECTRICALS (10) ENGINEERING (3) INDUSTRIALS (14) Associated British Consultants, Brierley Invs., CH Industrials, Christies International, Computer People, Continuous Stationery, Dean & Bowes, Fletcher Challenge, Hadleigh Industries, Harris (Ph.), Oriflame, Rock, United Uniform Services, Whittington, LEISURE (3) MOTORS (1) NEWSPAPERS (1) PAPERS (6) PROPERTY (4) TEXTILES (2) TRANSPORT (1) TRUSTS (7) OILS (4) OVERSEAS TRADERS (1) MINES (15).

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000s	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

1990 High	Low	Stock	Price £	+or-	Yield Int.	Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for April 1990: 125.1 and for November 1990: 130.0.

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

1990 High	Low	Stock	Price	+or-	Div. Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS—Contd

CANADIANS

Continued on next page

APPOINTMENTS

Merchant banking chairman

■ Mr M. Victor Blank has been appointed chairman of Charterhouse, merchant banking division of THE ROYAL BANK OF SCOTLAND, from January 1, succeeding Mr Peter E.G. Balfour who retires. Mr Blank continues as chief executive of Charterhouse. As an executive director of The Royal Bank of Scotland Group, Mr Blank will also become an executive director of The Royal Bank of Scotland on February 1 when the functions of the two boards are merged.

■ COMPUTER SCIENCES COMPANY has appointed Mr Alistair Crawford as sales director.

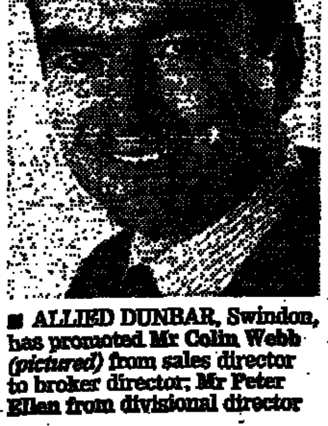
■ Mr Vanni Treves, senior partner of Macfarlanes, chairman of BBA group, and a trustee of the J. Paul Getty Jr Charitable Trust, has been appointed non-executive deputy chairman of McKECHNIE.

■ Mr Jonathan Abbott has been appointed a director of LONDON JAZZ RADIO.

■ Mr Terry Hazell has been appointed divisional director and general manager of FOSTER WHEELER ENERGY's Glasgow operations. He was manager systems and computer applications, and a divisional director.

■ ANGLIA SECURE HOMES has appointed Mr Paul Rudder as a non-executive director. He is a non-executive director of Standard Chartered. He retired from the board of BET last June.

■ DATA & ARCHIVAL DAMAGE CONTROL CENTRE has promoted Mr John P. Doig to overseas operations director from UK operations manager. Mr Martin McMillan has been appointed to the new post of risk analyst.

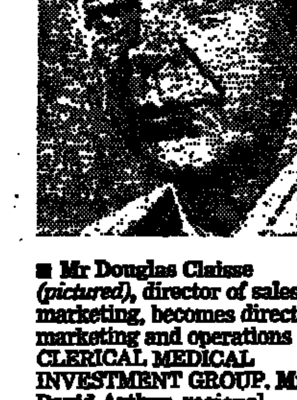


■ ALLIED DUNBAR, Swindon, has promoted Mr Colin Webb *(pictured)* from sales director to broker director; Mr Peter Ellen from divisional director to executive director, training and development; Mr Tony Leeson from divisional director to executive director, financial management advisory department; and Mr Phil Hodkinson from actuarial divisional director to executive director. In the sales divisions Mr Brian Buchanan becomes executive director, Northern Ireland and Wales; Mr Richard Knox-Johnston, executive director, Wessex; Mr Roy Morris, executive director, London; and Mr Sandy Sanderson, executive director, Cotswolds.

■ Mr Patrick Pagni has been promoted to chief executive of SOCIETE GENERALE STRAUSS TURNBULL SECURITIES. He was deputy chief executive, and was formerly in charge of Societe Generale's Hong Kong operations. He succeeds Mr Peter Hogarth who has resigned, but who will continue to assist in the management of Societe Generale's settlement and clearing sub-group in the UK.

■ Mr Christopher Cheng and Mr Christopher Maunsell have been appointed to the board of VIVAT HOLDINGS.

■ Mr David Lloyd, a director of Sir William Halcrow and Partners and their chief executive (overseas), has been appointed chairman of BRITISH WATER INDUSTRIES GROUP succeeding Mr Wynn Kenrick of Mowlem International. Mr Adrian White, chairman, Biwater, becomes vice chairman of BWIG.



■ Mr Douglas Claisse *(pictured)*, director of sales and marketing, becomes director, marketing and operations at CLERICAL MEDICAL INVESTMENT GROUP. Mr David Arthur, regional manager (north), becomes general manager sales. Mr Frank Hobson, staff manager, becomes general manager human resources following the retirement of Mr Neville Jones, personnel director. Mr Steve Allchin, Mr Chris Dell, and Mr John Popham are promoted to assistant general managers with responsibility for group pensions, life assurance and individual pensions. Mr Roger Corley is retitled managing director, and Mr Robert Walther investment director

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
£13¾	£9	ABN Amro Fl5	£9⅞	.....	Q28%	2.1	8.7	5.4
303	134	ANZ SA1	135	.....	Q38c	♦	11.2	♦
234	172	Abbey National 10p	226	-1	5.7	4.3	3.4	9.2
°274	128	Allied Irish Ord	144	-5	†Q40%	3.3	6.2	6.5
85	47	Anglo Irish	57	.....	Q17.9%	♦	7.0	♦
93	61	Ansbacher (H.) 1p	62	.....	2.5	1.3	5.4	17.8
£71¼	£32	Bancaire Ce Fr100	£48½	+¾	Q12½%	-	2.7	-
£22¼	£12¾	Banco Bilbao Viz	£13¼	-¼	Q49.1%	2.7	5.8	9.4
£58	£25¼	Banco de Santander	£25½	.....	Q24.7%	2.5	3.9	10.2
286	130	Bank Ireland Ir£1	159	-2	Q14.7%	2.9	8.3	5.6
£19½	£18	Bank Leumi	£19½	.....	-	-	-	-
351	320	Bank Leumi (U.K.)	350	.....	†15.0	-	5.7	-
129½	100	Bank Scotland	114	-1	4.55	3.4	5.3	7.3
101¼	83¼	Do. 9¼pc Irrd Pf	96½	.....	9¼%	-	12.8	-
54	39	Bank of Wales	42	.....	2.8	0.8	8.9	(20.2)
428	290	Barclays £1	353	+4	†19.57	3.5	7.4	4.9
22	10	Benchmark 20p	12	+1	0.75	-	8.3	-
335	210	Brown Shipley £1	210	.....	12.0	2.2	‡	6.8
°435	285	Cater Allen £1	386	+1	F24.5	-	8.5	-
179	29	Chancery	44	.....	†9.0	2.7	‡	1.8
£23¼	£14	Commerzbk DM10	£17¼	+¼	Q18%	-	3.6	-
£13⅛	620	Dai Ichi KBk Y50	759	+17	Q17%	6.2	0.4	35.8
£313	£189	Deutsche Bk DM50	£218¼	.....	Q28%	-	2.2	-
£20⅞	£14⅝	Espirito Santo	£16½	.....	Q75c	5.1	2.3	8.5
253	166	First Nat. Fin. 10p	185	+2	13.0	2.1	9.4	6.4
121	82	FNFC 6.3pc Cv. Pf	93	-2	6.3%	-	9.0	-
£13¼	633	Fuji Bank Y50	899	+25	†Q17%	6.9	0.4	38.2
325	262	Gerrard & National	311	.....	19.0	-	8.1	-
154	78	Guinness Mahon 10p	78	.....	1.45	♦	2.5	♦

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ELECTRICITY

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

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MOTORS, AIRCRAFT TRADES — Contd

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY — Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST — Contd

[illegible]

INVESTMENT TRUST — Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS — Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES — Contd

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

94	46	Tottenham Leisure 20p y	51	.....	1.0	4.4 2.6	9.3
55	27	UPL Group 10p. ..y	32	.....	-	-	-
89	8	Video Magic Lels. 1p y	8	.....	-	-	-
6¼	1¼	Vista Ents 5p.. ..y	1¼	.....	-	-	-
5½	1¼	Wilton Group 1p... y	1½	.....	-	-	5.1

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights
Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ¶ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations. xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1.. y	700	.....
Finlay Pkg. 5p.... y	36	-2
Holt (Jos) 25p.. ..y	1305	.....

IRISH

Cap 8½% Ln. 1991 ..	£98¼	.....
9pc Cap Ln. 1996..	£94	-⅝
Fin. 13% 97/02...	£111¼	.....
Arnotts........	160	.....
Carrol (P.J.)........	154	.....
Helton Hldgs.......y	40	.....
IRG........	135	.....
United Drug........	148	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	6
Astec (BSR)	4½
BAT	46
BOC Grp.	28
BTR	25
Barclays	30
Blue Circle	19
Boots	29
Bowaters	43
Brit Aerospace	45
British Steel	10½
Brit Telecom	25
Cadburys	28
Charter Cons	38
Comm Union	40
Courtaulds	28
Eurotunnel	35
FKI	5
FNFC	20
Gen Accident	41
GEC	15
Glaxo	68
Grand Met	51
Guardian	17
GKN	27
Hanson	16
Hawker Sidd	35
ICI	70
Ladbroke	22
Legal & Gen	32
Lex Service	17
Lloyds Bank	24
Lucas Inds	11
Marks & Spencer	19
Midland Bk	16
Nat West Bk	21
P & O Dfd	44
Racal Elect	16
RHM	23
Rank Org Ord	52
Reed Intnl	32
STC	19
Sears	7½
SmKl. Beecham A	41
TI	35
TSB	11
Tesco	19
Thorn EMI	55
Trust Houses	23
T&N	13
Unilever	52
Vickers	16
Wellcome	33

Property	
Brit Land	24
Control Secs	3½
Land Securities	45
MEPC	38
Mountleigh	9

Oils	
Aviva Petlm	3½
Brit Petroleum	27
Burmah Castrol	46
Conroy Petlm	15
Gaelic Res	1½
Premier	7
Shell	37
Tuskar Res	2
Ultramar	29

Mines	
Lonrho	19
RTZ	48

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H

Brown Shipley & Co Ltd (1000)F

Confederation Funds Mngt Ltd (1200)F

GT Unit Managers Ltd (1200)H

8th Floor, 8 Devonshire Sq, London EC2M 4YJ

Kleinwort Benson Unit Trusts – Contd.

Mayflower Management Co Ltd (1200)F

PO Box 249, Beckenham, Kent BR3 4WA 081-663 3111

Medical Investments Ltd (1100)F

Mercury Fund Managers Ltd (1600)H

NM Unit Trust Mngrs – Contd.

Save & Prosper Group – Contd.

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (◆) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

SIB Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

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TSB Unit Trusts (1200)H
Charlton Pl, Andover, Hants. SP10 1RE 0264 346794

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB American	6	105.9	106.58	113.38	-0.27	0.75
Do Accum	6	115.76	116.5	123.93	-0.3	0.75
TSB Brit Growth	6	64.12	65.02	69.17	-0.05	3.96
Do Accum	6	70.89	71.89	76.47	-0.06	3.96
TSB European	6	66.26	66.61	70.86	-0.19	1.25
Do Accum	6	68.66	69.03	73.43	-0.19	1.25
TSB Extra Income	6	140.04	143.2	152.33	-0.25	6.12
Do Accum	6	198.05	202.52	215.44	-0.35	6.12
TSB Smaller Cos	6	38.0	39.72	42.25	.....	3.25
Do Accum	6	39.86	41.64	44.29	-0.01	3.25
TSB General	6	196.93	196.93	209.5	-0.38	4.22
Do Accum	6	361.03	361.03	384.07	-0.7	4.22
TSB Prestige Income	5	41.58	42.21	43.96	.....	9.41
Do Accum	5	73.1	74.21	77.3	.....	9.41
TSB Income	6	258.15	263.36xd	280.16	-0.99	5.68
Do Accum	6	479.93	499.64xd	520.85	-1.72	5.68
TSB Pacific	6	191.5	195.19	207.64	+0.16	0.32
Do Accum	6	199.25	203.09	216.06	+0.17	0.32
TSB International	6	327.51	327.51	348.41	-0.59	1.59
Do Accum	6	420.09	420.09	446.9	-0.77	1.59
TSB Nat Resources	6	52.97	54.22	57.68	.....	1.33
Do Accum	6	57.46	58.82	62.57	.....	1.33
TSB Soc'l Opps	6	68.9	70.53	75.03	-0.32	3.85
Do Accum	6	82.23	84.18	89.55	-0.38	3.85
Environmental Inv	6	40.22	40.95	43.56	-0.11	2.7
Do Accum	6	41.14	41.88	44.55	-0.12	2.7
TSB Selector	6	41.8	42.52xd	45.23	-0.1	4.67
Do Accum	6	43.07	43.81	46.6	-0.11	4.67
TSB High Income	6	43.84	44.38	47.21	-0.24	6.67
Do Accum	6	45.14	45.7	48.61	-0.24	6.67
TSB Intl Income	6	47.4	47.59	50.62	-0.02	7.01
Do Accum	6	47.4	47.59	50.62	-0.02	7.01
TSB Selector Income	6	44.8	45.3	48.19	-0.1	6.85
Do Accum	6	44.8	45.3	48.19	-0.1	6.85

Target Trust Mngrs Ltd (1600)F
Target Hse, Gatehouse Rd, Aylesbury, Bucks.
Admin: 0296 394000 Dealing: 0296 392156

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Eagle	5	60.15	60.15xd	64.17	+0.04	1.20
Australia	5	5.100	5.100	5.499	-0.08	4.89
Equity	5	141.2	141.20	151.5	+0.28	5.08
Euro Spec Sits	5	96.56	96.56	103.7	-0.8	0.67
Financial	5	25.07	25.07	27.02	.....	5.53
Global Opps Inc	5	57.07	57.07xd	61.59	-0.16	0.00
Global Opps Acc	5	58.31	58.31	62.72	-0.17	0.00
Gold & Gen Inc	5	33.25	33.25xd	35.74	-0.36	1.12
Gold & Gen Acc	5	62.15	62.15	66.81	-0.50	1.12
Income	5	88.20	88.20xd	94.80	+0.25	6.75
Japan & General	5	112.7	112.7	121.1	+0.3	0.00
Preference Share	5	17.58	17.58	18.91	-0.06	14.03
UK Capital	5	78.88	78.80	84.65	.....	4.13
World Income	5	54.86	54.86	58.98	+0.04	5.97
Worldwide Capital	5	148.3	148.3	159.4	-0.2	3.43

Templeton Unit Trust Managers Ltd (1200)F
Adroll Crescent, Edinburgh EH3 8HA 031 228 3932

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Global Growth Acc	6	92.99	93.59	100.10	-0.50	3.35
Global Growth Inc	6	89.34	89.92	96.17	-0.48	3.35
Global Balanced Acc	6	94.77	95.10	101.71	-0.25	4.50
Global Balanced Inc	6	88.46	88.76	93.93	-0.24	4.50
Value Tst Acc	6½	68.88	69.84	74.69	-0.06	4.31
Value Tst Inc	6½	65.82	66.74	71.38	-0.05	4.31
Intl Fxd & Cf'bls Inc ♥	2	86.90	90.06	94.58	—	3.80
Intl Fxd & Cf'bls Acc ♥	2	85.59	87.02	91.36	—	3.80

M & G Securities Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Charibond	98.6	98.6	-0.6	10.95
(Accum Units)	522.8	522.8	-2.9	10.95
NAACIF Dec 18	—	40.2xd	.....	9.90

MIM Ltd
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Mngd P'Folio	970.0	1048.0	—	—
Mngd Pens (Acc)	57.5	61.5	—	—

Morgan Grenfell Unit Trust Managers Ltd
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity ♀ Dec 11	111.9	119.9	-1.6	3.20
UK Small Co ♀ Dec 11	429.9	472.9	-9.0	3.25
Fixed Interest ♀ Dec 11	100.9	106.1	—	8.33
US Small Co Dec 11	104.7	112.0	+0.4	0.00
Managed Dec 11	96.05	102.0	-1.1	2.57
Intl Bond Dec 11	106.8	112.6	+0.1	8.09
Japan Dec 11	63.04	67.20	-0.2	1.01
European Dec 11	78.07	84.40	-1.7	1.73
Nth American Dec 11	79.98	85.72	-0.2	1.62

Murray Johnstone UT Mngmt
Murray Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Amer Expt Dec 19	39.2	40.7	-0.40	2.60
Euro Expt Dec 19	47.0	49.3	-1.00	2.91
Fixed Int Ex Dec 19	44.1	45.2xd	-0.10	11.36
Japan Expt Dec 19	40.0	42.0xd	+0.30	0.76
Managed Ex Dec 13	38.3	39.8	—	5.16
SE Asia Expt Dec 19	55.0	57.7	-1.40	6.90
Sm Cos Expt Dec 19	28.0	29.4xd	-0.30	5.90
UK Eqty Ex Dec 19	36.0	37.8	-0.10	5.19

Phillips & Drew Fund Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Small Co's Dec 5	592.63	634.6	—	5.78
Do Accum	659.2	705.8	—	5.78
Int. Exmt Dec 12	149.80	151.90	—	3.0
UK Index Dec 10	999.0	1019	—	6.07

City of Westminster Assurance (z)
PO Box 4n9, 500 Avebury Blvd, Milton Keynes MK9 2NU
Current Series

	Bid Price	Offer Price	+ or -	Yield Gross
Property Fund	217.4	228.9		—
Secure Grth Fund	304.7	320.8	+0.1	—
Managed Fund	394.7	415.7	-1.7	—
Equity Fund	223.7	235.5	-2.5	—
Fixed Interest Fund	159.2	167.6	-0.1	—
Far East Fund	309.2	325.3	-7.2	—
North American Fund	077.0	081.1	-2.0	—
Natural Resources Fund	207.9	218.9	+0.9	—
Pension Managed Fund	460.8	485.1	-1.8	—

Eagle Star Insur./Midland Assur.
60 St. Mary Axe, London EC3 071-929 1111

	Bid Price	Offer Price	+ or -	Yield Gross
Eagle/Mid Units	175.7	182.1	-0.01	4.50

Economic Insurance Company Ltd
London Rd, Sittingbourne, ME10 1PE 0795 424321

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	111.6	117.5	.....	—
Fixed Interest	112.9	118.9	.....	—
Equity	118.3	124.6	.....	—
Overseas Equity	88.7	93.4	.....	—
Money	123.2	129.7	.....	—
Pens Managed	112.8	118.8	.....	—

Guardian Royal Exchange—Contd.
GRE Linked Life Assurance Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Initial	315.5	332.1	+0.3	—
Do. Accum	411.5	433.2	+0.5	—
Equity Initial	478.4	503.5	+2.0	—
Do. Accum	624.0	656.8	+1.4	—
Fixed Int. Initial	296.7	312.3	-0.9	—
Do Accum	386.9	407.3	-1.2	—
Intnl Initial	284.1	299.1	-0.7	—
Do Accum	370.6	390.1	-0.9	—
North American Initial	98.2	103.4	+0.4	—
Do Accum	116.6	122.7	+0.5	—
Pacific Initial	157.7	166.0	-0.1	—

Liberty Life Assurance Co Ltd
Station Rd, New Barnet 081-440 8210

	Bid Price	Offer Price	+ or -	Yield Gross
Sel Sec A	37.20	39.16	.....	—
Managed	32.08	33.77	.....	—
Equity	28.21	29.70	.....	—
Blue Chip	43.09	45.36	.....	—
Special Sits	29.46	31.02	.....	—
International	36.74	38.68	.....	—
European Fund	11.79	12.42	.....	—
American	19.50	20.53	.....	—
Pacific	32.93	34.67	.....	—
Property	34.04	35.84	.....	—

Merchant Investors Assurance Co Ltd — Contd.
Tradlink Life Funds

	Bid Price	Offer Price	+ or -	Yield Gross
MI Baring Fd		98.5	-0.2	—
MI Bar American Cash		94.4	-0.3	—
MI Bar Am Smllr Cos		102.9	-0.8	—
MI Bar Japan Growth		84.3	+0.7	—
MI Bar Jpn Sunrise		71.4	+0.2	—
MI Bar Eastern		113.0	+0.1	—
MI Bar UK Growth		81.9	-0.2	—
MI Bar UK Smllr Cos		64.6		—
MI Bar Equity Income		107.0	-0.1	—

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N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or −	Yield Gross
Life Managed Fd	90.8	95.6	−0.1	—
Pension Managed Fd	86.9	91.4	−0.2	—
Life Deposit Fd	102.9	108.4	+0.1	—
Pension Deposit Fd	106.3	111.9	+0.1	—

National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Managed Cautionary	99.2	104.5	−0.3	—
Managed Growth	122.2	128.7	−1.6	—
Managed Opportunity	117.9	124.2	−1.7	—
NFMC Target Financial	87.6	92.3	−0.8	—
Pension Funds				
Managed Cautionary	104.7	110.3	−0.3	—
Managed Growth	125.4	132.1	+2.3	—
Managed Opportunity	117.6	123.8	−0.7	—
NFMC Target Mngd Pen	1338.8	1409.3	−6.5	—

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or −	Yield Gross
Harvester Pension Funds				
Managed	141.7	149.2	—	—
UK Equity	146.7	154.5	—	—
Overseas Equity	113.9	119.9	—	—
Fixed Interest	135.2	142.4	—	—
Property	127.1	133.8	—	—
Index Linked	144.4	152.1	—	—
Deposit	147.3	155.1	—	—
With Profits (B)	123.8	130.3	—	—

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or −	Yield Gross
Managed	309.1	325.4	−0.5	—
UK Equity	387.5	407.9	−0.6	—
Overseas Eq	291.2	306.6	−0.7	—
American	217.1	228.6	−1.4	—
Far East	302.1	318.1	+1.0	—
Property	193.2	203.4	−0.2	—
Fixed Int	242.0	254.8	—	—
Indexed Gilt	150.0	157.9	−0.2	—
Deposit	173.9	183.1	+0.1	—
Pension Fund (Accum Units)				

Property Equity & Life Ass. Co
Baxter Ave, Southend SS2 6QH 0702 333433

	Bid Price	Offer Price	+ or −	Yield Gross
Int Man Pension Fd	149.1	156.9	—	—
Int Man Cncy Bd Fd		143.8	—	—
Int Man Cncy Bd PAfO		130.4	—	—
Flexible Prop. Bd. Fd		201.3	—	—
Flexible Money Bd. Fd		366.3	—	—
Special Man. Int. Fd		133.5	—	—

Prosperity Life Assurance Ltd
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555

	Bid Price	Offer Price	+ or −	Yield Gross
Initial Equity	137.0	144.5	−0.5	—
Accum Equity	192.5	203.5	−0.5	—
Accum Managed	198.5	209.5	−0.5	—
Accum Five Star	150.0	158.5	−0.5	—
Accum World	107.5	113.5	—	—
Accum Lifeline	101.0	101.0	−0.6	—
Pens Acc Equity	201.0	212.0	−1.0	—
Pens Acc Managed	235.0	247.5	−1.0	—
Pens Acc Intl	169.5	179.0	—	—
Pens Acc Deposit	187.5	198.0	—	—
Pens Acc Five Star	158.5	167.5	−1.0	—

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or −	Yield Gross
UK Equity Acc	197.2	208.1	−0.2	—
UK Fixed Int Acc	164.8	173.9	+0.1	—
Intl Equities Acc	151.0	159.3	−0.6	—
UK Managed Acc	156.3	164.8	−0.6	—
Property Acc	232.2	245.0	−3.7	—
Money Acc	123.8	130.6	—	—
Special Market Acc	116.1	122.5	−0.5	—
Japan Equity Acc	91.1	96.2	+0.7	—
North American Acc	83.2	87.8	—	—
Pacific Acc	74.8	79.0	+0.4	—
Technology Acc	96.6	102.0	−2.3	—
Nat Resources Acc	50.5	53.3	+0.3	—
European Acc	91.5	96.6	−0.6	—
Residential Prop Acc	97.3	102.7	—	—
Swiss Equities Acc	31.9	33.7	−0.3	—
Hong Kong Acc	46.9	49.5	+0.3	—
UK High Inc Eq Acc	63.2	66.7	−0.2	—

Bryan Walls & Partners Ltd
Paxton Hse, 25 Haymarket, Ldn, SW1 071-930 8228

	Bid Price	Offer Price	+ or −	Yield Gross
Schroder Pen Fd	127.9	134.6	−0.3	—
Target Pen Fd	62.7	66.0	—	—
Target Bond Fd	87.1	91.7	—	—

Cameron Law & Company Ltd
148/149 Gt Charles St, Birmingham B3 021 200 5132

	Bid Price	Offer Price	+ or −	Yield Gross
Moneymaker Mngd	133.3	140.4	+0.1	—
Moneymaker Secs Sits	63.8	67.2	−0.3	—
Griffin Fd	148.9	156.7	—	—

Guinness Flight Fd Mngrs (Guernsey) Ltd
PO Box 250, St Peter Port, Guernsey 0481 712176

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

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ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar falls on discount rate cut

THE US dollar weakened yesterday after the release of merchandise trade figures which were worse than the market had anticipated. The yen was lower on Gulf worries, but sterling was steadier after its recent falls.

The announcement by the Federal Reserve Board that its was cutting the discount rate by half a point to 6.5 per cent came too late to affect London foreign exchange markets. In New York the dollar fell sharply on the news.

The US trade deficit in October widened to $11.6bn from September's $9.3bn, and compared with an average market expectation of $9.6bn. A large rise in imports boosted the deficit; the trade shortfall with Japan rose by almost 50 per cent, and there was also a deficit with western Europe.

The foreign exchange market has not been paying great attention to US trade figures since the deficit began to narrow in 1987. The latest figures could be volatile, as can be any single month's outcome, and analysts said yesterday that more evidence would be needed before any firm conclusions could be drawn.

The dollar also came under pressure from the 0.3 per cent rise in November consumer prices. This compared with a 0.6 per cent increase in the previous month and expectations of another 0.6 last month.

Before the discount rate cut, Federal funds traded firmly at 7⅜ per cent, above the Fed's perceived target of 7¼, as year-end factors boosted rates. In late trade Fed funds were quoted at 7.

The US currency closed easier in London at DM1.4840 from DM1.4870; at SFr1.2700 from SFr1.2755; and at FFr5.0550 from FFr5.0900. Its index lost 0.1 to 60.8.

The dollar was prevented from falling further by the weaker yen. The continued uncertainty about talks between the US and Iraq, and more hardline noises from both sides in the Gulf crisis depressed the Japanese currency. Since Iraq's invasion of Kuwait, the yen has usually been the first of the major currencies to be hit by any rise in tension in the Gulf. The dollar closed unaltered at Y133.25; sterling rose to Y257.75 from Y256.75; and the D-Mark firmed to Y89.75 from Y89.65.

Sterling overall had a steadier tone in low volume trading as the UK government's message was absorbed by the market that interest rates would not be cut until the pound firms. But there is still concern that the economy's slide into recession may eventually force the UK authorities to reduce rates or risk electoral unpopularity.

Sterling remained the weakest currency in the European Monetary System, but closed higher at DM2.8725 from DM2.8650 and at $1.9350 from $1.9270. It held at Sfr2.4575 but weakened to FFr9.7825 from FFr9.8075. Sterling's effective index rose 0.1 to 93.3. In New York the pound ended ¾ of a cent stronger at $1.9425.

£ IN NEW YORK

Dec.18	Close	Previous Close
£ Spot	1.9420-1.9430	1.9300-1.9310
1 month	1.04-1.02pm	1.08-1.06pm
3 months	2.75-2.72pm	2.75-2.72pm
12 months	8.70-8.60pm	8.58-8.50pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Dec 18	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	130.484	−2.35	4.3	41
D-Mark	2.05586	2.04061	−0.74	2.61	47
Dutch Guilder	2.31643	2.30177	−0.63	2.49	31
Belgian Franc	42.4032	42.2276	−0.41	2.27	20
Irish Punt	0.767417	0.766860	−0.07	1.92	3
Italian Lira	1538.24	1541.73	0.23	1.62	−11
Danish Krone	7.84195	7.88688	0.57	1.27	−26
French Franc	6.89509	6.94780	0.76	1.07	−42
Sterling	0.696904	0.709767	1.85	0.00	−35

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Dec 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9275 - 1.9380	1.9345 - 1.9355	1.04-1.02cpm	6.39	2.79-2.76pm	5.74
Canada	2.2280 - 2.2420	2.2380 - 2.2390	0.58-0.46cpm	2.71	1.27-1.15pm	2.16
Netherlands	3.2525 - 3.2425	3.2325 - 3.2425	1⅛-1¼cpm	4.86	3¼-3pm	3.86
Belgium	59.25 - 59.60	59.45 - 59.55	24-19cpm	4.34	58-51pm	3.64
Denmark	11.0695 - 11.1215	11.0975 - 11.1075	3⅛-3⅜orepm	3.85	8⅝-8⅛pm	3.06
Ireland	1.0765 - 1.0930	1.0795 - 1.0805	0.35-0.25cpm	3.33	0.75-0.55pm	2.41
Germany	2.8690 - 2.8795	2.8700 - 2.8750	1¼-1⅛pfpm	4.96	3-2¾pm	4.00
Portugal	253.10 - 254.70	253.45 - 254.70	44-24cpm	1.61	par-61dis	−0.48
Spain	183.10 - 184.35	183.75 - 184.05	4-13cdis	−0.55	26-31dis	−0.62
Italy	2165.20 - 2173.65	2169.00 - 2170.00	3-1lirepm	1.11	6-4pm	0.92
Norway	11.2545 - 11.3015	11.2800 - 11.2900	3⅛-2¾orepm	3.12	6½-5¾pm	2.19
France	9.7640 - 9.7920	9.7775 - 9.7875	3⅝-3⅜cpm	4.29	8⅛-7¾pm	3.25
Sweden	10.8055 - 10.8500	10.8300 - 10.8400	par -¼oredis	−0.14	1⅛-1¾dis	−0.60
Japan	256.70 - 258.25	257.25 - 258.25	1⅛-1¼ypm	6.40	3¾-3⅝pm	5.72
Austria	20.15 - 20.23	20.17 - 20.20	9⅝-8⅛gropm	5.28	24-20¾pm	4.43
Switzerland	2.2455 - 2.4620	2.4570 - 2.4580	1¼-1⅛cpm	5.80	3-2¾pm	4.68
Ecu	1.4000 - 1.4045	1.4025 - 1.4035	0.47-0.43cpm	3.85	1.12-1.06pm	3.11

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.18-5.13cpm. 12 Month 8.90-8.80cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Dec 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9275 - 1.9380	1.9345 - 1.9355	1.04-1.02cpm	6.39	2.79-2.76pm	5.74
Ireland†	1.7870 - 1.7950	1.7915 - 1.7925	0.44-0.39cpm	2.78	1.47-1.37pm	3.17
Canada	1.1560 - 1.1590	1.1570 - 1.1580	0.34-0.37cdis	−3.68	1.03-1.07dis	−3.63
Netherlands	1.6705 - 1.6790	1.6730 - 1.6740	0.21-0.24cdis	−1.61	0.73-0.77dis	−1.79
Belgium	30.65 - 30.80	30.70 - 30.80	3-6cdis	−1.76	13-17dis	−1.95
Denmark	5.7305 - 5.7475	5.7350 - 5.7400	1.15-1.35oredis	−2.61	3.60-4.20dis	−2.72
Germany	1.4800 - 1.4890	1.4835 - 1.4845	0.19-0.21pfdis	−1.62	0.61-0.64dis	−1.68
Portugal	131.40 - 131.85	131.50 - 131.60	28-38cdis	−3.01	180-210dis	−5.93
Spain	94.80 - 95.25	95.00 - 95.10	53-57cdis	−6.94	151-160dis	−6.54
Italy	1119.00 - 1124.85	1121.00 - 1121.50	4.40-4.90liredis	−4.98	12.80-13.80dis	−4.74
Norway	5.8175 - 5.8475	5.8300 - 5.8350	1.40-1.75oredis	−3.24	4.95-5.45dis	−3.57
France	5.0455 - 5.0695	5.0525 - 5.0575	0.87-0.92cdis	−2.12	3.06-3.16dis	−2.46
Sweden	5.5855 - 5.6090	5.5975 - 5.6025	2.80-3.25oredis	−6.48	8.60-9.15dis	−6.34
Japan	132.45 - 133.30	133.20 - 133.30	0.02dis-par	−0.09	par-0.03dis	−0.05
Austria	10.4300 - 10.4740	10.4325 - 10.4375	0.65-1.25grdis	−1.09	3.00-4.40dis	−1.42
Switzerland	1.2670 - 1.2760	1.2695 - 1.2705	0.13-0.17cdis	−1.42	0.39-0.43dis	−1.29
Ecu	1.3755 - 1.3810	1.3785 - 1.3795	0.29-0.26cpm	2.39	0.91-0.88pm	2.55

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

	Open	Close	Change	High	Low	Yield	Open Int.
December	89.68	89.66	-0.01	89.68	89.63	10.34	16,764
March	89.73	89.72	-0.02	89.73	89.71	10.27	3,763
June	89.80	89.80	-0.01	89.85	89.80	10.20	1,547
September	89.85	89.85	0	89.85	89.84	10.15	0

Estimated volume 4,112 Total Open Interest 22,074

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int.
November	1616.0	1597.0	-14.0	1628.0	1597.0	6,556
December	1631.0	1610.0	-12.5	1639.5	1609.0	2,070
January	1643.0	1625.0	-11.0	1645.0	1625.0	50
March	-	-	-	-	-	210

Estimated volume 7,634 Total Open Interest 8,886

BASE LENDING RATES

	%		%		%
ABN Bank	14	Coutts & Co	14	NatWestminster	14
Adam & Company	14	Cyprus Popular Bk	14	Northern Bank Ltd	14
Allied Trust Bank	14	Dunbar Bank PLC	14	Nykredit Mortgage Bank	14½
AIB Bank	14	Duncan Lawrie	14	Provincial Bank PLC	15
● Henry Ansbacher	14	Equatorial Bank plc	14	Roxburghe Bank Ltd.	14½
Associates Cap Corp	15½	Exeter Trust Ltd	14½	Royal Bk of Scotland	14
● B & C Merchant Bank	14	Financial & Gen. Bank	14	Royal Trust Bank	14
Bank of Baroda	14	First National Bank Plc.	16	● Smith & Williamson Secs.	14
Banco Bilbao Vizcaya	14	● Robert Fleming & Co.	14	Standard Chartered	14
Bank Credit & Comm	14	Robert Fraser & Ptnrs.	14½	TSB	14
Bank of Cyprus	14	Girobank	14	Unibank plc	14
Bank of Ireland	14	● Guinness Mahon	14	● United Bk of Kuwait	14
Bank of India	14	● Hambros Bank	14	United Mizrahi Bank	14
Bank of Scotland	14	Hampshire Trust Plc	14½	Unity Trust Bank Plc	14
Banque Belge Ltd	14	Heritable & Gen Inv Bnk.	14	Western Trust	14
Barclays Bank	14	● Hill Samuel	14	Westpac Bank Corp.	14
Benchmark Bank	14	C. Hoare & Co.	14	Whiteaway Laidlaw	14
Brit Bk of Mid East	14	Hongkong & Shangh	14	Yorkshire Bank	14
● Brown Shipley	14	● Leopold Joseph & Sons	14		
CL Bank Nederland	14	Lloyds Bank	14		
● Charterhouse Bank	14	Meghraj Bank Ltd	14		
Citibank NA	14	McDonnell Douglas Bnk.	14		
City Merchants Bank	14	Midland Bank	14		
Clydesdale Bank	14	Mount Banking	14		
Comm.Bk.of London Plc	14	Nat. Bk. of Kuwait	15		
Co-operative Bank	*14				

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MONEY MARKETS

UK rates soften

UK interest rates were slightly softer yesterday as the Bank of England adopted a more generous attitude towards the money market's liquidity requirements. A firmer tone by sterling also underpinned rates.

Money dealers said the Bank had been more responsive to the market's credit needs now that speculation about an early cut in interest rates had waned somewhat.

"The message about no early reduction in rates has been hammered home by the Bank in its money market operations over the past seven weeks. Now that this fact has been accepted by the market, the Bank can afford to be more generous," one dealer said.

UK clearing bank base lending rate 14 per cent from October 8, 1990

The three-months inter-bank rate eased 1/16 point to 14 1/16-14 per cent. The March short sterling contract fell 13 points to 87.51, indicating that futures dealers expect base rates to fall 1¼ points to 12¾ per cent by the end of the first quarter of next year.

For the second day in succession the Bank of England adopted a relatively relaxed approach towards the money market. A total of £501m was injected by way of bill purchases, compared with a day-to-day credit shortage of £450m.

During the morning, the Bank bought £92m of band 1 bank bills at 13⅞ per cent and £203m of band 2 bills at 13¾. After lunch it purchased a further £76m of band 1 bills at unchanged rates. Finally, late assistance of £130m was provided at undisclosed rates.

Among factors contributing to the shortage were bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills, which drained £383m. A rise in the note circulation absorbed a further £200m and bankers' balances below target a further £20m. This was partly offset by Exchequer transactions, which added £50m.

In Brussels the National Bank raised the rate on four month paper issued by the Securities Regulation Fund by 30 basis points to 10.05 per cent. The rise brings the rate into line with one, two and three month paper, which were raised by 25 points to 10.05 on Monday. The increase also follows a rise in market rates in other European countries.

In Frankfurt call money rates were trading at an unchanged 8.40-8.45 per cent. The drain on liquidity caused by year-end technical factors and cash withdrawals before Christmas, kept rates firm.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

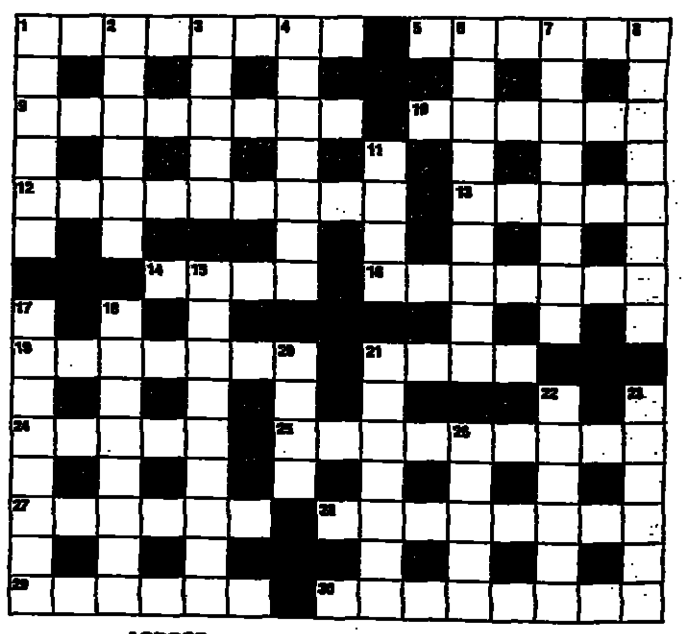
MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CROSSWORD

No.7,423 Set by HIGHLANDER



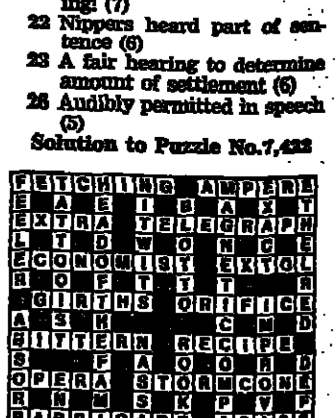
ACROSS

1 Shell fragments are involved in her plans (8)
5 Significance people put in evidence of roadworthiness (6)
9 Type of green wrench found in Ireland (8)
10 Like the heartless naval force behind (6)
12 Running away from work in one's own field (9)
13 Runs river services which can't be intercepted (5)
14 Look out for hole in the ground (4)
16 Ruse is upset by note being put in circulation again (2-5)
19 Soldier has nothing to send information back about (7)
21 Carry on with payment (4)
24 Caught, trapped by temptation to make money (5)
25 Wearing light shoes completely smoothed outside (9)
27 Emerged with a pay increase on first of November (6)
28 Interminably hot: no remarkable thing in Hawaiian islands (8)
29 Is inclined to circumnavigate river currents (6)
30 Principal needs time off to obtain capital support (8)

DOWN

1 Tommy gets rid of one bond (6)
2 Stuff staff use to clean barrel (6)
3 Clear second in prize money (5)
4 Evacuate from island (7)
6 Following died, helping (9)
7 Train for duty without sign of hesitation (8)
8 Hard metal barrel on end of big gun (8)
11 The way tax-collectors become active (4)
15 Grasp collar (9)
17 Begin with introduction of new law that's strong and reliable (8)
18 Study the Church, I have to believe (8)
20 Unguarded hives perhaps (4)
21 But lose the others? Charming! (7)
22 Nippers heard part of sentence (6)
23 A fair hearing to determine amount of settlement (6)
26 Audibly permitted in speech (5)

Solution to Puzzle No.7,422



WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Dec. 18	Dec. 17	Dec. 14	Dec. 13	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
¢Industrials	2626.73	2593.32	2593.81	2614.36	2999.75 (16/7)	2365.10 (11/10)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	91.54	91.12	91.19	91.25	93.04 (3/1)	88.44 (24/9)	95.51 (9/2/87)	54.99 1/10/81
Transport	907.05	895.24	903.11	916.79	1212.77 (6/6)	821.93 (17/10)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	211.08	208.56	208.56	209.32	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

¢Day's High 2639.36 (2600.74) Low 2583.17 (2563.61)

STANDARD AND POOR'S	Dec. 18	Dec. 17	Dec. 14	Dec. 13	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	330.05	326.02	326.82	329.34	368.95 (16/7)	295.46 (11/10)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	386.06	381.96	382.53	385.42	437.37 (16/7)	346.86 (11/10)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	23.55	22.87	23.16	23.51	31.87 (3/1)	18.80 (29/10)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	180.19	178.22	178.71	180.06	201.13 (16/7)	162.20 (11/10)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	305.03	303.99	305.74	306.71	382.45 (5/1)	288.07 (30/10)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	370.15	365.72	368.83	371.50	469.60 (16/7)	325.44 (16/10)	485.73 (9/10/89)	54.87 (31/10/72)

	Dec. 14	Dec. 7	Nov 30	year ago (approx.)
Dow Industrial Div. Yield	3.97	3.98	4.01	3.89

	Dec. 12	Dec. 5	Nov.28	year ago (approx.)
S & P Industrial div. yield	3.31	3.31	3.42	2.92
S & P Indl. P/E ratio	15.89	15.89	15.37	14.82

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Citicorp	3,463,000	14⅛	+ ¼
AT & T	2,771,800	31¾	+ ⅜
Mal. Hanover	2,572,400	20⅞	+ 1⅞
Am. Express	2,225,900	21¼	+ ½
Philip Morris	1,987,700	51⅝	+ ⅝
Fannie Mae	1,806,300	35¼	+ 1½
Can. Pacific	1,679,500	17⅞	+ ⅜
Gen. Motors	1,633,000	35½	+ 1¼
IBM	1,617,100	113½	+ 2
Unisys	1,558,800	2⅝	- ⅛

TRADING ACTIVITY

† Volume Millions	Dec. 18	Dec. 17	Dec. 14
New York	176.460	118.560	150.880
Amex	11.071	10.196	10.954
NASDAQ	(u)	111.866	119.503
Issues Traded	2,025	2,024	2,004
Rises	972	492	502
Falls	585	1,016	1,009
Unchanged	468	516	493
New Highs	25	5	6
New Lows	52	62	43

CANADA

TORONTO	Dec. 18	Dec. 17	Dec. 14	Dec. 13	1990 HIGH	1990 LOW
Metals & Minerals	2756.20	2758.70	2783.70	2782.90	3453.05 (4/1)	2486.60 (8/11)
Composite	3236.89	3232.97	3244.22	3252.56	4009.47 (3/1)	3009.91 (16/10)
MONTREAL Portfolio	1729.27	1723.78	1729.66	1743.01	2060.90 (3/1)	1607.24 (16/10)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Dec. 18	Dec. 17	Dec. 14	Dec. 13	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1283.6	1295.7	1310.0	1319.7	1713.7 (12/1)	1283.6 (18/12)
All Mining (1/1/80)	580.2	591.0	600.2	607.5	868.8 (5/1)	580.2 (18/12)
AUSTRIA						
Credit Aktien (30/12/84)	458.76	464.06	475.54	477.77	703.29 (19/3)	400.98 (25/9)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	4983.45	5038.08	5082.37	5120.68	6599.43 (12/1)	4959.99 (25/9)
DENMARK						
Copenhagen SE (3/1/83)	322.20	325.12	325.08	322.90	388.29 (20/7)	321.95 (12/12)
FINLAND						
Unitas General (1975)	395.4	395.6	399.6	400.7	677.3 (23/1)	395.4 (18/12)
FRANCE						
CAC General (31/12/82)	425.35	429.28	435.36	442.88	564.62 (30/5)	410.18 (26/9)
CAC 40 (31/12/87)	1591.65	1606.23	1635.52	1659.40	2129.32 (20/4)	1485.39 (25/9)
GERMANY						
FAZ Aktien (31/12/58)	637.53	641.50	649.88	655.21	832.32 (19/7)	569.69 (28/9)
Commerzbank (1/12/53)	1807.1	1820.4	1845.5	1863.7	2414.0 (3/4)	1628.7 (28/9)
DAX (30/12/87)	1477.41	1475.87	1522.40	1517.80	1968.55 (30/3)	1334.89 (28/9)
HONG KONG						
Hang Seng Bank (31/7/64)	3066.65	3051.92	3125.69	3150.12	3559.89 (23/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1239.86	1256.99	1261.17	1299.24	1893.10 (22/1)	1193.66 (5/12)
ITALY						
Banca Com. Ital. (1972)	534.31	535.84	550.90	547.28	763.52 (14/6)	500.67 (29/11)
JAPAN						
Nikkei (16/5/49)	24424.02	24087.91	24349.50	24642.97	38712.88 (4/1)	20221.86 (1/10)
Tokyo SE (Topix) (4/1/68)	1790.48	1778.89	1800.32	1813.98	2867.70 (4/1)	1523.43 (1/10)
2nd Section (4/1/68)	2850.11	2862.23	2885.63	2888.31	4477.16 (16/7)	2763.32 (5/12)
MALAYSIA						
KLSE Composite (4/4/86)	498.88	508.31	508.11	505.43	632.22 (1/8)	459.08 (28/9)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	230.2	229.3	230.6	230.1	271.9 (20/7)	225.6 (8/11)
CBS All Shr (End 1983)	168.7	168.1	169.0	168.6	206.3 (3/1)	165.6 (8/11)
NORWAY						
Oslo SE (Ind) (2/1/83)	676.13	678.65	675.65	671.13	915.13 (2/8)	653.46 (21/11)
PHILIPPINES						
Manila Comp (2/1/85)	655.62	674.45	690.25	687.87	1160.70 (21/3)	514.80 (5/10)
SINGAPORE						
SES All-Singapore (2/4/75)	323.79	322.66	328.36	329.40	446.87 (16/7)	301.45 (11/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	1111.0&	1129.0	1123.0	1141.0	2230.0 (16/1)	1111.0 (18/12)
JSE Industrial (28/9/78)	2986.0&	2989.0	2988.0	2995.0	3211.0 (6/2)	2640.0 (1/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	706.08	706.04	710.06	712.82	928.82 (4/1)	566.27 (17/9)
SPAIN						
Madrid SE (30/12/85)	234.52	233.99	238.23	241.20	309.74 (16/7)	209.37 (28/9)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	869.3	876.6	897.4	902.3	1329.9 (5/7)	815.6 (27/11)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	641.2	639.4	648.3	649.7	845.5 (13/7)	613.4 (28/9)
SBC General (1/4/87)	527.6	527.8	534.9	536.3	698.2 (13/7)	510.4 (26/11)
TAIWAN**						
Weighted Price (30/6/66)	3919.73	4102.74	4304.31	4372.38	12495.34 (10/2)	2560.47 (1/10)
THAILAND						
Bangkok SET (30/4/75)	619.04	621.98	649.58	644.10	1143.78 (25/7)	544.30 (30/11)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	470.6*	468.5	473.4	478.3	571.0 (4/1)	423.1 (28/9)

**Saturday December 15: Taiwan Weighted Price: 4319.47 Korea Comp Ex. 705.49
& Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday 18 December 1990

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	15.3m	450	+2
M'sui Shpbldg	9.7m	585	-5
Mitsui Co	8.8m	806	+21
M'bishi Heavy	7.5m	715	+2
S'tomo Metal	7.2m	471	+6
Sanyo Elec	7.0m	646	+1
Marubeni	6.0m	712	+4
Itoman	5.8m	609	-36
Tokyo Elec Pwr	6.0m	3,780	+80
Iseki	4.1m	623	-38

CANADA

TORONTO
Closing prices December 18

MONTREAL
Closing prices December 18

Total Sales 5,312,938 shares.

AMEX COMPOSITE PRICES

4pm prices December 18

4pm prices December 18

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
38⅞	9⅛	AAR	.48	5.2	6	5465	9⅝	9⅛	9¼	
9⅞	7¾	ACM n	1.01	11.		250	8⅞	8¾	8⅞	+ ⅛
11⅞	8¾	ACMIn	1.25	12.		2170	10½	10	10⅜	+ ⅛
9¼	6½	ACM M	n1.01	13.		787	7¾	7⅜	7⅝	
12⅛	10	ACMMM	1.50	13.		307	11¾	11⅝	11¾	
11½	8⅝	ACM Sc	1.26	13.		2322	10	9⅞	9⅞	+ ⅛
9⅛	7¼	ACMSp	1.01	12.		1056	8⅝	8⅜	8½	
24⅝	17	AL Lab	.16	.7	19	128	23¾	23¼	23¼	- ½
4½	1	AM Intl				2009	1¼	1⅛	1⅛	- ⅛
18⅞	4⅝	AM In pf	2	28.		25	7	6¾	7	+ ¼
70¼	39¼	AMR			15	2807	49⅞	48⅞	49½	+ ⅞
26½	25	ANR pf	2.67	10.		37	25⅞	25⅞	25⅞	+ ¼
4	1⅛	ARX				62	1⅝	1½	1⅝	+ ⅛
72⅛	36¼	ASA	3	7.4		376	41⅛	40½	40⅝	- ½
3½	2	ATTC wi				100	2⅛	2⅛	2⅛	
48⅞	31¼	AbtLab	s.84	1.9	21	4454	44⅞	44¼	44⅞	+ ½
14	10¾	AbtIbl g	.50			108	11	11	11	
11⅝	4⅛	AcmeC	.40	8.2	11	65	4⅞	4¾	4⅞	
9⅝	5	AcmeE	.32	5.8	9	7	5½	5½	5½	- ⅛
32⅛	18⅞	Acuson s			21	1195	25¾	25⅜	25¾	+ ¼
18⅞	14¾	AdaEx	1.73e	12.		160	14⅞	14⅝	14⅞	+ ⅛
15⅝	9½	Adobe				161	9⅝	9½	9½	- ⅛
20⅛	16	Adob pf	1.84	11.		26	16⅝	16½	16⅝	
11⅞	3⅝	AMD				3201	5	4⅞	5	+ ⅛
32⅛	13	AMD pf	3	19.		552	16⅛	15⅞	16⅛	+ ¼
6¼	1⅝	Advest	.16	6.7		659	2½	2¼	2⅜	
58⅞	29	AetnLf	2.76	7.1	9	3783	38⅞	38⅜	38¾	+ ⅛
12¼	6¼	AMPb	.24	3.1		1698	7⅞	7⅝	7⅝	- ¼

Continued on Page 41

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]										
55⅝	29	Xerox	3	8.5	7	3659	35¾	34½	35⅛	+ ⅞
46½	42½	Xerox pf4.13		9.7		13	42⅝	42⅝	42⅝	+ ⅛
32⅝	13	XTRA	.72	4.9		382	15	14½	14⅝	+ ⅞
25	12½	XTRA pf1.94		13.		81	15⅞	13¾	14⅝	+ ⅞
3⅝	5-16	Zapata				341	7-16	⅜	13-32	
8½	3	Zemex				17	3⅝	3¼	3⅞	− ⅛
13⅝	4	ZenithE				2880	8⅛	7⅝	8	+ ⅞
15¾	9⅞	ZenNtl	1	7.8	8	252	12⅞	12½	12⅞	+ ⅛
7½	4⅛	Zenix	.93	21.		242	4⅝	4½	4½	− ⅛
17½	9⅞	Zero	.40	3.7	11	530	10⅞	10½	10⅝	
51½	29⅝	Zurnin	.88	2.6	15	572	35	33½	34	− ⅞
12⅝	10⅛	Zweig	1.18e	11.		362	11¼	11	11⅛	
10	7⅞	ZweigTl	.84	9.6		2155	8⅞	8⅝	8¾	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

NASDAQ NATIONAL MARKET

3pm prices December 18

[illegible]

FINANCIAL TIMES
Wednesday December 19 1990

AMERICA

Discount rate cut sharply boosts Dow in afternoon

Wall Street

STOCKS ON Wall Street were given a sharp boost yesterday afternoon by the news that the Federal Reserve is cutting the discount rate from 7 per cent to 6.5 per cent with effect from today. This is the first change in the rate since February 1989, when it was raised from 6.5 per cent to the 7 per cent level.

The Dow Jones Industrial Average was showing a gain of 33.41 by the close at 2,626.73, almost double the rise which it had already notched up during the morning session. One dealer described the market as "just exploding" on the announcement.

Volume on the New York Stock Exchange rose to a chunky 176.5m shares, compared with the previous day's 118.6m, while advances on the big board outscored falls by 971 to 581.

The market had already started the trading session on a good footing. Having seen an unpleasantly high November producer price index last Friday, inflation worries were soothed when the consumer price index for the same month fell exactly in line with the pundits' expectations and prompted renewed hopes of an easing in interest rates. Sentiment remained largely unruffled by more disappointing trade data.

The interest rate news came as the market was digesting a series of announcements from the US commercial banks. There was some relief when Manufacturers Hanover declared its regular dividend, in spite of speculation that a reduction in the payout might be on the cards in line with Chemical Bank and Chase Manhattan. Manny Hanny shares ended $1⅞ higher at $20⅞, one of the most actively traded stocks.

However, the focus quickly shifted to the anouncement by Citicorp that it would cut its dividend by 44 per cent, trim staff by 8,000 and declare a fourth quarter loss of up to $400m.

Signs that the bank was finally confronting its problems pushed Citicorp's shares ¾ higher to $14⅜.

Bankers Trust, meanwhile, said it was increasing its dividend by 9 per cent and was rewarded by a $2⅞ rise in its share price to $44⅜.

Among the active stocks was Edison Brothers Stores, which lost ⅛ at 24⅜. Traders suggested that most of the activity was related to a quarterly dividend payment due on December 20.

Among airline issues, American Airlines recovered ⅞ to $49⅛, having fallen in the previous session on news that it would be issuing new stock next year following its $445m agreement to purchase certain routes into London from TransWorld Airlines. Pan Am, which has yet to respond to a takeover proposal from Mr Carl Icahn's TWA containing $1.50 of cash as well as additional preferred stock, shed ⅛ to $1⅞.

A statement from NCR, which is facing a $6.1bn hostile takeover bid from AT&T, to the effect that it was not for sale to anyone – the first time it has indicated that a "white knight" was being ruled out – left NCR's shares down $⅞ at $87⅞. This is just slightly shy of the $90 a share offer from the predator.

Canada

TORONTO closed mixed in spite of the surprise cut in the US discount rate in late trade and subsequent rally on Wall Street.

The composite index edged up 3.9 to 3,236.9 but declines led advances by 338 to 275 after volume of 25.2m shares (27.8m).

Grecian tumult ends in subdued optimism

The roller-coaster ride in the Athens equity market this year is detailed by Kerin Hope

OFFICE SPACE is at a premium in the labyrinth of arcades surrounding the Athens Stock Exchange. Expanding Greek brokerages compete for space with increasing numbers of new arrivals, among them mutual fund managers, research analysts and investment companies.

A tumultuous year on the bourse, which saw the Athens general index surge by more than 300 per cent and then lose more than half of its gain, is ending on a note of subdued optimism. Fears of a Gulf war persist, but local analysts are cheered by the conservative government's decision to launch a three-year economic stabilisation programme in the new year.

Investors recall how a previous austerity package in 1986-87 brought a wage freeze which helped boost private sector profits to record levels. Earnings prospects already look bright for most banks and leasing, construction and food processing concerns.

The capital markets committee, the main regulating body, is flooded with applications from new securities houses seeking a seat on the exchange. Six new brokerages joined earlier in the year, another five were given the go-ahead this month and 15 other requests are pending.

Mr Nikitas Niarchos, the bourse president, says: "By spring we shall have increased the number of stockbrokers on the floor from 30 to 50 in one year. Computerised trading must be introduced within 1991 in order to maintain investor confidence."

The open outcry system currently in use came under severe pressure this year as daily trading volume soared from less than Dr1bn ($6m) last January to more than Dr5bn in the heady days of June and July. On a busy day brokers were unable to execute more than 25 per cent of orders.

Settlements were delayed for weeks, until the Exchange's new central share depository called in a computer service bureau to help out.

The stock market's rise was triggered by expectations that the conservative New Democracy party would at last win a majority at the April poll. The market shot up 7 per cent the day after the party scraped through with a narrow victory. After starting the year at 460, the index had reached 900 by the end of April.

Small investors, many from the countryside, leapt on the bandwagon in what one broker called "a frenzy of speculation". Three new mutual funds, sold through the provincial bank and insurance networks, scooped up large amounts in farmers' savings and untaxed income from a black economy currently estimated at 35 per cent of gross domestic product.

The index peaked at 1,684 in July, before a gentle summer correction gathered pace in September. The Gulf crisis had undermined confidence even before Athens lost its bid to stage the 1996 Olympic Games, sending the index plunging to below 1,000. "Gulf worry and the psychological blow of losing the Olympics set a volatile trend that is still going on," says Mr George Pervanas, a broker.

On Monday the market dropped by 10 per cent at the opening but finished the session only 4.6 per cent down at 971.19. The fall was blamed on end-of-year profit-taking. It came after a two-week rise triggered by the government's decision to tax interest on bank deposits, which brought a new wave of savings into the market. Yesterday the market stabilised with the index closing up 0.23 at 971.42; turnover has fallen to a daily average of Dr2bn from Dr5bn to Dr6bn seen in the spring.

The bourse's uncertain mood has caused half a dozen Greek companies to postpone plans for launching equity issues in 1990. Twenty-five companies sought listings between January and September, more than the total for the previous 10 years. Most issues were heavily oversubscribed.

New equity issues and increases of capital by companies among the 120 already listed has brought more than Dr100bn into the market this year, "a substantial deepening of liquidity", according to Mr Niarchos. Total capitalisation was expected to end the year at about $15bn, up from the $6.8bn of last January.

Mr Panagis Vourloumis of Alpha Finance, the investment arm of a private Greek bank, says: "The foreign institutional investors have reduced their holdings, but the market has stayed resilient. This is a healthy sign for the future."

The parallel market for smaller companies has proved slow to develop, with only five listings since its establishment last February. New legislation, however, lifting the capitalisation requirement from Dr170m to Dr500m for new entrants to the big board should stimulate more interest in the parallel market.

● This article begins a short series on some of the most remarkable markets of 1990.

EUROPE

Bourses close little changed as holiday nears

BOURSES WERE little changed yesterday, with most ending steady or slightly weaker in the run-up to Christmas, *writes Our Markets Staff.*

PARIS slipped in moderate trading on the last day of the monthly account, with the CAC 40 index ending 14.58 lower at 1,591.65 – the first time the index has closed below 1,600 for a month.

Sanofi, the pharmaceutical concern, fell another FFr36 to FFr780 for a two-day fall of 9 per cent, on continued worries about prospects for its Ticlid anti-stroke drug, which received a recommendation for only limited use in the US.

Among the day's most active stocks, Générale des Eaux fell FFr17 to FFr2,254 with 172,870 shares traded. Pechiney International lost FFr7.90 or 5.8 per cent to FFr129 on 142,690 shares, after a broker downgraded its profits forecast for the company in 1991.

FRANKFURT traded sideways in thin volume, in low spirits after Monday's drop of more than 3 per cent. After a 3.97 fall to 637.53 in the FAZ index at midsession, the DAX recovered to close 1.54 higher at 1,477.31.

Volume dropped again, from DM4.6bn to DM3.3bn. Ms Barbara Altmann of B Metzler in Frankfurt said that many brokers, dealers and investors had decided to close for the year after Monday's drop. "There were some good buying orders for chemicals," she said, "but these were priced within strict limits."

The best rise in the big three chemicals, accordingly, was DM1.50 to DM224 at Hoechst.

One of the best rises of the day was in the department stores group, Karstadt, up DM8.80 at DM612 in a weak retail sector.

Metzler likes Karstadt on fundamental grounds, expecting a good earnings rise this year following the introduction of a central distribution system; but Ms Altmann also said that the stock had seen a sizeable decline recently and that yesterday's rise might simply have reflected the conclusion of selling orders.

MILAN ended slightly lower in light trading in spite of a late turnround. The Comit index fell 1.53 to 534.31.

The telecommunications sector was expected to be in focus today following news after the market closed that Sip could raise telephone rental charges for the first time in five years and also increase call charges.

Ms Melinda Diamond of Baring Securities said the overall increase in Sip's revenues would be 3.5 per cent, at the lower end of market expectations. The real beneficiaries, however, would be the telecommunication suppliers because the extra revenue would ensure that Sip could continue its investment plans, worth L9.5 trillion in 1991, she noted.

Enimont rose L5 to L1,555, cheered by the terms of the bonds that ENI, the state holding company, plans to exchange for the 350m Enimont shares outstanding. Under the deal, Enimont shares are valued at L1,650.

Standa, the retail chain controlled by Mr Silvio Berlusconi, eased L250 to L27,800, after the company denied that it would be sold to SME, the state-controlled food group.

STOCKHOLM eased in fairly active turnover of SKr273m. The Affärsvärlden General index fell 7.3 to 869.8.

Astra bucked the trend in the wake of an analysts' meeting during which it emerged that Losec, its anti-ulcer drug, was close to gaining approval in Japan. The free B shares rose SKr6 to SKr494.

AMSTERDAM was mixed, the CBS Tendency index rising 0.1 to 95.8. Royal Dutch was the most actively traded stock and gained Fl 1.40 to Fl 130.20.

Elsevier, the publishing group, eased 90 cents to Fl 73.90. In a report, James Capel expressed concern that fluctuations in the dollar and a disappointing underlying rate of growth might weaken the shares in the short run.

MADRID edged higher, with the general index adding 0.53 to 234.52. Banco Hispano Americano rose Pta30 to Pta2,695 after a block of 2.75m shares, or 3.3 per cent of the bank's capital, was traded at Pta2,160 a share.

There was another block trade in Ebro, the food group which is merging with Industrias Agricolas. Its share price gained Pta85 to Pta2,350 after 425,000 shares were exchanged at Pta2,265 a share. Also active was Sarrio, the paper company, which added Pta13 to Pta636 after 1.6m shares were traded, including several blocks.

COPENHAGEN fell in light trade on fears that the new centre-right minority government would not last long. Novo-Nordisk was the most active share, falling DKr8 to DKr355. OSLO slipped in busy trading worth NKr547m, boosted by tax transactions.

SOUTH AFRICA

GOLD shares eased on weaker bullion prices and ahead of President F.W. de Klerk's address to the nation. The JSE all-gold index fell 13 to 1,111 while the overall index was 13 lower at 2,669. Vaal Reefs dropped R5.50 to R180.

ASIA PACIFIC

Money supply figures lift Nikkei in modest trading

Tokyo

THE Nikkei average moved up yesterday on news of a slowing of money supply growth, although market activity was only modest, *writes Emiko Terazono in Tokyo.*

The 225-share Nikkei, which opened at the day's low of 24,093.88, closed at the high of 24,424.02, up 336.11, after an afternoon rally triggered by renewed hopes of lower interest rates. First market volume totalled 350m shares, after Monday's meagre 250m, but declines led rises by 474 to 468, with 169 issues unchanged.

The Topix index of all first section stocks rose 11.59 to 1,790.48, although in London the ISE/Nikkei 50 index eased 3.26 to 1,363.04.

The November money supply grew 10 per cent from the previous year, 1.8 per cent slower than in October. "The market had expected November money supply growth to be around 11 per cent," said Ms Caroline Stone at Barclays de Zoete Wedd. The bond market also responded, in turn triggering demand for interest rate-sensitive stocks.

Buying spread to other large-capital issues, such as shipbuilders and heavy industries. Exporters rose on the weaker yen, while construction shares were favoured as laggards.

Nippon Telegraph and Telephone climbed Y10,000 to Y1.05m, buoyed by the Ministry of Finance's announcement the previous day that it will sell only 2.5m shares over the next five years, instead of the originally planned 5m.

Itoman, the trading company with heavy debt from its land investments, dropped Y36 to Y509 on rumours that its loans were continuing to rise.

The Nagoya Stock Exchange suspended trading in four issues following reports that a main shareholder in the companies had filed for bankruptcy. Speculative stocks were heavily sold: Iseki, an agricultural machinery maker, weakened Y38 to Y623 and Honshu Paper Y80 to Y2,150.

Snow Brand Milk Products advanced Y21 to Y876 on expectations of robust sales of dairy produce gifts in the Japanese year-end festivities.

In Osaka, the OSE average receded 162.92 to 26,295.57 on volume of 54.9m shares.

Roundup

PACIFIC Rim markets were mostly lower yesterday.

HONG KONG gave a muted reaction to Monday's news of the forthcoming exodus of Hongkong and Shanghai Banking. Turnover declined to HK$681m from HK$694m and the Hang Seng index improved 14.73 to 3,066.65.

SINGAPORE was mixed in thin volume. Turnover dipped to S$51m from S$55m. The Straits Times Industrial index edged up 2.82 to 1,174.40.

KUALA LUMPUR saw continued firmness in plantation shares, but the composite index eased 2.23 to 496.08 in turnover of 46m shares (51m).

TAIWAN extended Monday's losses. Volume contracted to T$33.8bn from T$38.4bn. The weighted index fell 4.5 per cent, or 183.01, to 3,919.73.

MANILA sagged as investors sold, sensing that the euphoria over the discovery of oil in the southern Philippines was fading fast. The composite index slipped 18.83 to 655.62 in turnover of 139m pesos (135m).

NEW ZEALAND paused after its recent decline to six-year lows, and before today's economic statement from the government. Turnover was dominated by trade in the market's big three stocks and expanded to NZ$12m from NZ$11m. The Barclays index shed 2.15 to 1,173.34.

BOMBAY fell sharply after the government raised excise and import duties. The BSE index lost 76.81 to 1,111.73.

Adsteam drops 33% on concern over restructuring

By Tim Blue in Sydney

SHARES IN Adelaide Steamship, the trading and investment group, sank 40 per cent to a low of 18 cents in active trading on the Australian Stock Exchange, before closing down 10 cents, or 33 per cent, at 20 cents. Trading volume in the stock totalled 2.2m shares, making Adsteam the fifth most heavily traded issue of the day.

Brokers said the fall was linked to continued concern over the company's plans for debt refinancing and corporate restructuring. They added that the shares may also have been put under pressure by a report from Prudential Bache Securities (Australia) advising small shareholders in the five listed members of the Adsteam group to "seek a safer refuge for their investment funds".

Among Adsteam's main associates, David Jones lost 7 cents to 40 cents, compared with a 1990 high of A$12.40, Tooth and Co fell 20 cents to 65 cents, Petersville Sleigh dipped 7 cents to 93 cents and National Consolidated shed 7 cents to 30 cents. Prudential Bache said in its December Quantum report: "These companies are in the process of rationalisation and little credence can be given to the financial numbers of any of the individuals of the group."

Adsteam shares have slumped from a high in January of A$6.60 on worries about the group's complexity and its ability to service debt levels estimated to be at least A$4.5bn (US$3.4bn).

Further pressure came from a newspaper report that Adsteam would have to repay A$2.2bn of debt in the next two weeks if bankers did not agree to the rescheduling. Adsteam executives could not be reached for comment.

Meanwhile, the rest of the stock market continued to decline, with the All Ordinaries index losing 12.1 to a 33-month low of 1,283.6. Turnover came to A$193m, up from A$142m. News Corporation fell 50 cents to A$5.60.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY DECEMBER 18 1990								MONDAY DECEMBER 17 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (75)	118.35	-0.3	90.68	99.68	91.31	102.39	-0.7	7.78	118.76	91.37	100.03	91.62	103.12	158.31	118.35	148.66
Austria (19)	205.44	-0.7	157.41	173.05	158.51	158.30	-1.0	1.73	206.81	159.11	174.20	159.68	159.85	285.63	178.57	166.00
Belgium (64)	134.49	-1.0	103.05	113.27	103.78	101.99	-1.0	5.63	135.91	104.57	114.47	105.07	103.06	160.02	126.80	148.64
Canada (120)	129.38	+0.1	99.13	108.97	99.81	108.44	+0.1	3.70	129.24	99.44	108.85	99.91	108.33	153.61	121.24	146.81
Denmark (33)	241.22	-1.9	184.82	203.18	186.11	188.24	-1.8	1.80	245.84	189.14	207.07	190.05	191.67	277.82	234.05	234.18
Finland (25)	101.76	-0.4	77.97	85.71	78.51	76.70	-0.6	3.35	102.13	78.58	86.03	78.96	77.15	120.32	98.91	130.32
France (122)	137.04	-0.2	105.00	115.42	105.72	108.66	-0.9	3.83	137.33	105.66	115.67	106.16	109.65	168.85	124.98	147.41
Germany (91)	119.28	-0.5	91.39	100.46	92.02	92.02	-0.7	2.47	119.92	92.27	101.02	92.71	92.71	144.65	101.98	111.86
Hong Kong (46)	123.53	+0.6	94.65	104.04	95.31	123.73	+0.5	5.41	122.81	94.49	103.44	94.95	123.07	147.49	112.24	119.88
Ireland (16)	155.20	-1.7	118.91	130.72	119.74	122.03	-1.3	4.25	157.81	121.41	132.92	122.00	124.29	198.57	139.04	174.33
Italy (81)	81.97	-0.2	62.80	69.04	63.24	64.64	-0.3	3.59	82.10	63.17	69.15	63.47	64.82	109.26	73.73	95.36
Japan (453)	130.61	+0.8	100.07	110.01	100.76	110.01	+0.8	0.78	129.51	99.64	109.09	100.14	109.09	187.26	108.58	185.77
Malaysia (36)	202.37	-0.7	155.06	170.45	156.13	210.52	-0.6	3.21	203.87	156.86	171.72	157.61	211.88	250.09	162.64	221.16
Mexico (12)	589.12	-0.6	451.38	496.21	454.52	1886.39	-0.7	0.98	592.65	455.11	499.34	458.21	1910.81	613.95	324.33	300.42
Netherland (41)	135.29	+0.5	103.66	113.95	104.38	103.33	+0.3	5.20	134.64	103.59	113.40	104.09	103.02	149.03	127.58	137.20
New Zealand (18)	42.62	-0.9	32.65	35.90	32.88	36.47	-0.3	8.89	43.01	33.09	36.23	33.25	36.57	75.36	42.62	71.09
Norway (22)	212.72	-0.4	162.99	179.18	164.13	168.40	-0.3	1.84	213.55	164.30	179.88	165.10	168.99	276.79	202.34	191.34
Singapore (25)	160.84	+0.4	123.24	135.48	124.09	127.60	+0.6	3.46	160.19	123.25	134.93	123.84	126.84	189.60	147.24	174.63
South Africa (60)	178.79	+0.4	136.99	150.59	137.94	133.62	-0.4	4.09	178.69	137.48	150.51	138.14	134.22	261.39	151.97	169.20
Spain (41)	147.43	+0.1	112.96	124.18	113.74	106.16	+0.1	5.25	147.26	113.31	124.06	113.86	106.05	182.25	128.54	161.37
Sweden (27)	161.66	-0.7	123.86	136.16	124.75	134.04	-0.7	3.03	162.77	125.23	137.10	125.84	135.00	234.93	153.11	182.48
Switzerland (58)	90.21	+0.7	69.12	75.99	69.61	71.03	+0.3	2.86	89.59	68.93	75.46	69.27	70.84	108.77	85.00	90.74
United Kingdom (216)	167.19	+0.8	128.10	140.81	128.98	128.10	+0.2	5.46	166.24	127.90	140.01	128.51	127.90	176.18	139.87	152.54
USA (533)	133.28	+1.3	102.12	112.27	102.83	133.28	+1.3	3.72	131.63	101.28	110.88	101.77	131.63	148.95	119.06	138.66
Europe (959)	138.16	+0.1	105.86	116.39	106.62	108.70	-0.2	4.36	138.04	106.20	116.27	106.72	108.95	157.65	124.91	135.33
Nordic (112)	172.13	-1.1	131.89	144.99	132.81	132.64	-1.1	2.29	174.12	133.96	146.66	134.61	134.35	223.29	170.59	178.85
Pacific Basin (651)	129.54	+0.8	99.26	109.12	99.95	109.84	+0.8	1.18	128.53	98.89	108.27	99.37	108.99	192.75	107.82	191.02
Euro-Pacific (1610)	133.42	+0.5	102.22	112.37	102.93	109.30	+0.2	2.52	132.76	102.14	111.81	102.63	108.92	174.18	116.03	168.86
North America (653)	132.95	+1.2	101.87	111.99	102.59	131.64	+1.2	3.72	131.40	101.09	110.69	101.60	130.10	148.43	118.26	138.21
Europe Ex. UK (651)	120.24	-0.2	92.13	101.30	92.79	94.40	-0.5	3.55	120.53	92.73	101.54	93.20	94.58	146.62	108.64	123.24
Pacific Ex. Japan (198)	116.29	+0.0	89.10	97.97	89.73	104.08	-0.1	6.45	116.30	89.48	97.97	89.92	104.23	146.72	116.03	134.06
World Ex. US (1802)	133.99	+0.5	102.66	112.87	103.38	109.97	+0.3	2.57	133.38	102.60	112.35	103.10	109.61	173.77	117.12	168.48
World Ex. UK (2037)	129.32	+0.8	99.08	108.93	99.78	116.13	+0.7	2.65	128.34	98.74	108.11	99.23	115.31	162.99	112.37	157.22
World Ex. So. Af. (2275)	132.40	+0.7	101.45	111.53	102.16	117.19	+0.7	2.96	131.42	101.11	110.70	101.61	116.43	161.84	118.04	156.59
World Ex. Japan (1882)	135.07	+0.7	103.49	113.78	104.22	121.12	+0.5	4.07	134.14	103.21	113.00	103.72	120.46	151.59	124.31	138.24
The World Index (2335)	132.68	+0.7	101.66	111.78	102.37	117.30	+0.6	2.97	131.70	101.33	110.94	101.63	116.55	162.06	118.33	156.76